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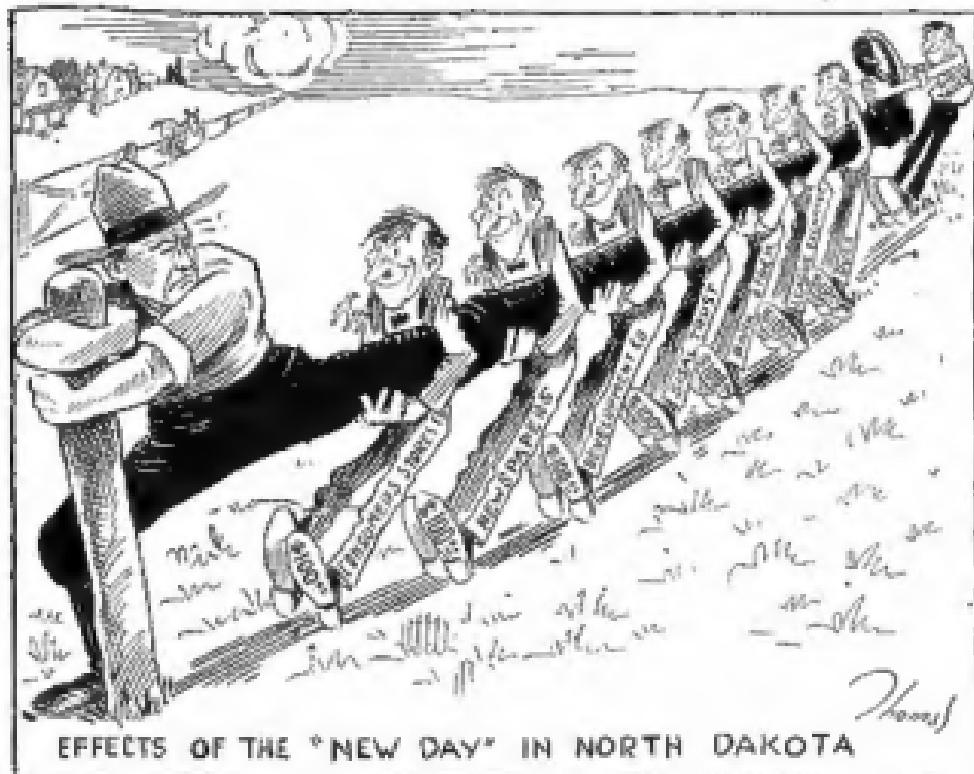


The Nonpartisan League in North Dakota

A study of a class war and
its disastrous consequences,
together with a comparison
of bank services in Canada
and Western States.

Published by the
Canadian
Reconstruction
Association
March, 1921

A Typical Cartoon in the Fight against "Townleyism".



Reproduced from a publication edited by Mr. Carl R. Kosinsky, who was State Auditor of North Dakota until the last election.

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PREFACE

The following study of The Nonpartisan League is based in the main upon a survey in North Dakota and Minnesota just prior to the elections in November, 1920. It represents many interviews with officials of The Nonpartisan League and with bankers and other business men. The information thus obtained was supplemented by a careful study of documentary evidence and propaganda material, including literature issued by The Nonpartisan League, by the Industrial Commission of North Dakota, and by opponents of the League. Since the writer's return from North Dakota he has kept in touch with developments there by correspondence and otherwise and in this way it has been possible to bring the report to date as of March, 1921.

It is believed that an understanding of the experience of other countries will assist the Canadian people to deal intelligently with suggestions looking to dangerous government experiments in the Dominion and this pamphlet is issued in the hope that it may be of value by making available the facts in connection with the policies of The Nonpartisan League, particularly in North Dakota, and in showing the outcome of those policies.

Thanks are due to the many gentlemen who have assisted in the preparation of the survey, by supplying information or by checking the manuscript.

CANADIAN RECONSTRUCTION ASSOCIATION

S. Roy Weaver,

Investigation Department.

Toronto, March, 1921.

THE NONPARTISAN LEAGUE IN NORTH DAKOTA

Its Origin and Development

The student of the North Dakota situation is confronted at the outset with an apparent anomaly. North Dakota is essentially an agricultural State, with more than 80 per cent. of the population rural and the remainder dependent principally upon agricultural activities. There is little manufacturing of importance and only one city of more than 20,000 persons. The farm population is traditionally the most conservative element in the Nation. Why, then, should an agricultural State embark on experiments which, to characterize them mildly, are highly radical? Why should the farmers give a surprising measure of arbitrary power to one man, or at least to a small group, with proved socialistic beliefs and affiliations? The only tenable explanation is that the radical programme has been forced on the farmers, despite their traditional conservatism, by resentment aroused by alleged grievances.

North Dakota settlers for the most part were attracted by the lure of cheap lands. The rewards of pioneer farming are often slow and the difficulties great. In the dry districts drought is a continuous menace and a succession of lean crops discouraged many and, indeed, left them with scant resources. Impoverishment of the original fertility of the soil was probably responsible for reducing the returns from grain growing and the transition to mixed farming was only just commencing in many instances. Nevertheless, in general the North Dakota agriculturists have been prosperous. The value of farm lands and buildings in 1890 was officially reported at \$75,310,305; in 1900 at \$200,780,700; and in 1910 at \$822,656,744. With a population of about 650,000 there are now close to 100,000 motor cars in the State. For the most part the people were fairly contented until professional agitators from outside the State aroused them with exaggerated, and often totally untrue, charges against the commercial and financial interests and preached the doctrine of class war. It is probably inevitable that there should be serious marketing difficulties in any community which is predominantly agricultural and largely dependent upon one-season crops, such as grain. Such difficulties are aggravated by pioneer conditions and the resultant lack of adequate marketing facilities. In North Dakota, too, it was made worse by the unit banking system, with independent banks of small resources. There was considerable objection to the interest rates charged on farm mortgage loans and on money borrowed otherwise. North Dakota banks, in so far as they had connections, were linked with

institutions at Minneapolis, in the neighbouring State, and were dependent upon the Minneapolis banks for money on re-discounts. The farmers were required to pay somewhat higher rates of interest for money than were charged to urban borrowers on commercial loans, because of the heavier cost of handling farm loans and the fact of less complete organization, and also because in many instances the agriculturists did not apply sound business principles to the conduct of their activities.*

In consequence, the Minneapolis financial institutions came to be regarded not uncommonly as a "Money Trust," which was discriminating against, and "bleeding," agricultural borrowers. Nonpartisan League propagandists have made much of the fact that a bulletin, issued in July, 1916, by the United States Department of Agriculture, reported that the average interest rate on farm mortgage loans in North Dakota, including commission, was 8.7 per cent. But the significance of such average has been exaggerated. It was arrived at by including all mortgages in the State, many of which were for renewals of debts originally contracted in the purchase of stock and implements and at rates that were much higher than was the interest expected on loans. That the interest rate in North Dakota on bona fide loans with good security was considerably lower than the average quoted, is indicated by the fact that one company has actually loaned \$10,000,000 in North Dakota at an interest rate which from 1902 to 1920 ranged from 5 to 7 per cent., and which is now 7½ per cent. North Dakota, like all other new agricultural areas, has been largely dependent upon outside capital for development purposes. In 1916 the estimated total farm mortgage debt of the State was \$100,364,000, of which 19.4 per cent. was held by life insurance companies and 5 per cent. by the banks, while 42.2 per cent. was "handled" by the banks. The bulletin already referred to stated that in North Dakota the banks negotiated about \$40,000,000 a year in farm mortgage loans for other investors, whereas the amount invested in farm loans from their own funds was only one-eighth of that sum. A very large part of the mortgage loans "handled" by the banks in this way was sold outside the State.

*This is not intended as a reflection on farmers as a class. Nevertheless there appears to be much truth in the recent statement by the President of the New York State Bankers' Association that, if the farmers would handle their products in the way the best business houses do, their loans would be as welcome as those of the business houses. He added: "We find that many of our men (farmers) are careless in their method of handling, sorting and marketing their produce, and do not appreciate how much in the way of profit to themselves and extension of credit they miss by their haphazard methods."

The United States Department of Agriculture, in its Bulletin Number 384, dated July 31, 1916, said: "No factor is given greater consideration by farm mortgage investors, in determining their attitude towards loans in a given area, than the prevailing method of farming. The careful investor in farm mortgages considers all the known factors affecting the income of the farm offered as a security. He studies the relation of the farm income to the price of the land to determine whether the farm value is on a speculative or an investment basis. He is interested in the degree of regularity in income from year to year, and therefore tries to ascertain what crops or products are raised and how far these are adapted to the given conditions. He knows the extra hazards involved in one-crop farming, and therefore inquires about tendencies in the direction of diversified agriculture. He even inquires into the business habits of the farm owners and the kind of care given to the farm products. It is necessary, in general, to understand the importance of differences along all these lines in order to explain the variation in the costs of farm-mortgage loans to borrowers."

PRICES OF GRAIN AND FLOUR

Then, too, the farmers saw a considerable disparity between the price which they received for grain and the price which consumers in the cities, and indeed the farmers themselves, had to pay for flour. The justification of such disparity was first questioned and then denied. At Minneapolis was the Minneapolis Chamber of Commerce, a grain exchange which served as a terminal market for North Dakota wheat as well as for the wheat of Minnesota and other Western States. The intricacies of exchange dealings were not clearly understood by the farmers and the Minneapolis Chamber appeared to many of them as a great gambling institution, with the farmers as its principal victims. The farmers' complaints seemed to find support in the fact that the Chamber of Commerce was more or less of a closed corporation and the "inside workings" appeared to be surrounded with much mystery. It was another case of a no-publicity policy intensifying suspicion. Coupled with the supposed grain exchange "monopoly," and apparently one of the ramifications of that monopoly, were privately-owned country and terminal grain elevators upon which the farmers largely were dependent. At these elevators they received for their grain a price based on the market quotations on the Minneapolis exchange. The farmers failed to see that the Minneapolis quotations were the result of demand and supply and that the Minneapolis prices, in turn, were based upon prices in the export markets of the world. The country elevators had the final word as to grades and they also paid for the grain, less dockage, which covered dirt, small seeds, etc. In North Dakota, as in Western Canada, most of the grain is marketed in the condition in which it comes from the thresher, i.e., without cleaning, and the price paid therefore must make ample allowance for the cost of cleaning, the lesser value of the screenings as compared with clean grain, and the freight on dockage. No one denies that under the pioneer conditions there were some grain dealers, and some bankers as well, who charged what the traffic would bear, and, although representing only a small percentage of all the dealers or bankers, these brought reprobation upon those whose code of ethics was less elastic. Human nature is very much the same in the farmer, grain buyer, railroad director, banker, miller or merchant, and even among the agriculturists are occasional "black sheep." In the marketing of grain, competition between elevators, millers, dealers, and commission men became more keen and the margin of profit was reduced, but misunderstandings continued and with such misunderstandings the class consciousness of the farmers became intensified and bitterness developed.

SUSPICIONS PROVED GROUNLESS

Examination in detail of the farmers' alleged grievances is not possible within the present survey. It may be pointed out, however, that Mr. L. D. H. Weld, at one time Professor of Economics at the Farm School of the University of Minnesota, and later Professor of Business Administration at Yale University, was commissioned by the Secretary of the United States Department of Agriculture to prepare for the Federal Office of Markets and Rural Organization a true and unbiased report of marketing conditions surrounding farm products. The results of Professor Weld's investigation were published in January, 1916, in book form, under the title, "The Marketing of Farm Products."

The inquiry was a most searching one, but Professor Weld was forced to the conclusion that "on the whole the system of marketing that has developed, is efficient," and also that "there are very good practical reasons for the form of organization that has developed."⁸ In a letter dated in January of the current year, Mr. Weld wrote:

"I agree with you that in so far as there may have been any legitimate grievances on the part of North Dakota farmers they were largely due to pioneer conditions and lack of sufficient organization. The important point to me, however, is that such an efficient organization developed at such an early date, and that on the whole there has been such adequate machinery for marketing grain expeditiously and in such a manner that it would bring the fair market price. There undoubtedly were occasional dishonest practices, and it is possible that most of these dishonest practices occurred at country points on the part of local buyers, rather than in the large central markets where the organized exchanges have developed. I certainly feel that most of the dissatisfaction is due to a misunderstanding and to groundless suspicion."

Mr. H. Bruce Price, Instructor in Economics at Yale University, who as a result of several years' close study is thoroughly familiar with the North Dakota situation in its bearing on the marketing of grain, also has expressed the opinion that the criticism by the grain growers "rests on a misunderstanding of market practice and market functions."⁹

The belief that prices paid to the farmers for their grain were manipulated and that the agriculturists were victimized by middlemen led to extreme and unsound views all through the Northwestern States. For example, in December, 1913, the Minnesota Union of the American Society of Equity passed a resolution declaring that "the doctrine of supply and demand is false"; that prices were made "artificially by the modern business combinations"; and that "hence the only true basis upon which farm products may be based is on their cost at their source on the farm." The resolution went on to say: "And we respectfully ask our professors at the College of Agriculture to modify their views on this economic question and give us a new economy based on modern conditions as far as food products are concerned." It will be seen that North Dakota was not the only State where the farmers thought they had grievances; indeed, the comparative success of The Nonpartisan League in North Dakota may be attributed largely to accidental causes, the absence of the restraining influence of non-agricultural elements, and the versatility and proselyting fervor and abilities of one man, Mr. A. C. Townley. Among such accidental causes undoubtedly was the succession of partial or almost complete crop failures in the western part of the State. These left many of the farmers with almost nothing to lose and, therefore, favorable to any experiment or project which appeared to promise relief.

FARMERS' ELEVATORS ERECTED

In the hope of sharing in the profits, commonly believed to be abnormal, from the handling of grain, many elevators were erected by the farmers themselves or by other private interests to compete with the so-called "line"¹⁰ companies. Few of the farmers' elevators were strictly co-operative: for the most part they were owned by farmer shareholders in joint stock companies. In 1917 there were 2,180 local elevators in the State, of which some 520 were owned and operated by farmers. The competition resulting from the increase in the number of elevators had the effect of narrowing the "spread" in price between

⁸See Appendix.

⁹"Line" companies are those which own or control a system of country elevators and also one or more terminal elevators.

the local and terminal markets. For the last ten years or more "local" elevators have paid graded and delared as favorable to the grain growers so have their competitors. Indeed competition has been so keen and price so small that the local companies have been very willing to sell their products at a premium. None of the farmer-owned elevators have been moderately successful but many have largely broken even and others have resulted losses. In recent years the local elevators could not fairly be held guilty of unfortunate or improper charges.

Despite the keen competition amongst local elevators for the North Dakota grain trade the agriculturalists were far from satisfied. They demanded that the margin between the price received by them and the price at which their products were sold to the ultimate consumer was eliminated and the terminal elevators were held to be responsible in large measure for such a spread. The farmers were especially suspicious and critical of the operations of the Minneapolis grain exchange with its numbered grain grader who were regarded as parasites upon the North Dakota agriculturalists. It is evident that cooperative marketing has ever been given a fair trial in North Dakota certainly whatever attention there trade and competition will not suffer the supposed exorbitant charges of the terminals and the latter turned to the State. In this connection Judge Anderson and the United States District Court has said:

The largest of North Dakota's co-operative organizations of farm products are the Farmers' Leagues or Federations. These have not been organized as corporate bodies but have been established in the form of local agricultural associations or joint committees of grain dealers. In the main they have made the purchases and sold the surplus at wholesale. It is largely due to these co-operative organizations that the prices of the products of these States are now made up to the maximum extent that will honor the system now existing. The only reason the right which the people of the State have to the operation of their farms is not secured.

The American Society of Experts of North Dakota had represented the farmers and attempted to secure action through the State Legislature and this organization had increased rapidly in membership and influence. Indeed an attempt was made to combine political pressure with a cooperative effort and the Farmers' Cooperative Exchange was organized for uniting further members of the Society of Experts as a terminal marketing agency. All engaged in Minot operating as a regular communication organization to accomplish the clearing here a market of the marketing of the federations and the Charter of Co-operation.⁴ In 1914 the

⁴ Paul M. Anderson, The Marketing of Farm Products published in 1914, referred to the organization of the Federations.

The Farmers' Co-operative Exchange has always been as a distributing and marketing of farm products a local company, however there are great difficulties in regard to the liability of a member of the Farmers' Co-operative Exchange in regard to the Minneapolis Chamber of Commerce and the like. This is the reason why the members of the Farmers' Co-operative Exchange have sought to organize a central and permanent body. During the time of the formation of the Farmers' Co-operative Exchange there were engaged in a joint effort the owners of grain dealers who were engaged in a joint effort to establish a central body for the purpose of the protection of their local although of course the same organization of the Farmers' Co-operative Exchange that part of the same organization represented a part of the same body as the Farmers' Co-operative Exchange the grain dealers and grain merchants are done. The grain dealers and grain merchants in this way the establishment of a central exchange in place of the same organization is a central exchange enough as a central authority of terminal trade and transportation.

Equity Co-operative Exchange moved its office to St. Paul, where it is still operating in a comparatively small way. Reports at the annual meeting of the organization held at Fargo in January of this year, showed a healthy condition and fair profits. Nevertheless the Equity Co-operative Exchange cannot be said to have fulfilled the hopes of its founders and it still indulges in recriminations against the larger grain exchange at Minneapolis. The Society of Equity of North Dakota may be regarded as the forerunner of The Nonpartisan League without intending to do so, it undoubtedly paved the way for the more radical organization. The North Dakota development is an impressive example, and should afford solemn warning of the great dangers of inciting to class consciousness and bitterness and the menace of false economics based on prejudice and misunderstanding.

THE BIRTH OF THE LEAGUE

In 1909, the Legislature of North Dakota passed an Act to provide for the purchase of a site and for the erection of a State elevator at Duluth Minn or at Superior or West Superior Wis but no further action was taken. In 1912 the voters of the State authorized the Legislative Assembly to enact laws for the erection purchasing & leasing, and operation of terminal elevators in Minnesota or Wisconsin again without result. In 1914 again by a large favorable vote the Assembly was empowered to provide by law for the erection purchasing & leasing and operation of one or more State terminal elevators in North Dakota. On February 2 1915, representatives of several farmers co-operative organizations petitioned the Legislative Assembly to allow them to appear before members of the Legislature at a joint session for the purpose of discussing the matter of State terminal elevators. The meeting was arranged and the Late Mr George E Loftus, representing the Society of Equity made a scathing attack upon the Legislature and representative citizens. Mr Treadwell Twichell Republican Leader in the House of Representatives took issue with Mr Loftus. He denied the utter lunacy of attempting to cope effectively with the problem with the money then at the disposal of the Legislature. Moreover he pointed out objections to the State of North Dakota owning and operating an elevator in Minnesota or Wisconsin where it would be within the jurisdiction of another State. The debate featured by the attack by Mr Loftus and the rejoinder of Mr Twichell, intensified the farmers bitterness. After the meeting someone appears to have said that Mr Twichell, in opposing the demands for state elevators told the farmers "Go home and skip your hogs" the farmer has no business in politics leave the politics to us. That such a statement was made by the House Leader has been repeatedly denied and indeed seems highly improbable. Challenges have failed to discover any one who will claim to have heard it. Probably it was only some audacious picturesque and extravagant way of summarizing Mr Twichell's argument. But while the expression is apocryphal its alleged authorship has been so often declared on the public platform, in the printed propaganda of The Nonpartisan League and otherwise, and it has been employed so cleverly to arouse the agriculturists that most North Dakotans appear to believe that Mr Twichell actually used it. Following the meeting with the Legislature, Mr Loftus called an evening meeting at which he made his famous roll-call of members of the Senate and House. It was at this

night meeting in February 1913, that Mr. A. C. Townley cast on the stage and The Nottingham League was born.

Mr A. J. Bowles was born in Minnesota but when a young man went to Beach, N.D., then a frontier town, at the grip of a real estate boom. After a short experience there combining farming and land promotion he moved to Cheyenne Wells, Colorado, where he engaged as agent in development and promotion scheme. From Colorado he returned to Beach, N.D., and there engaged in the cultivation of flax. The first year he had 100 acres under crop and made a profit of some \$20,000, and the following year he expanded his ranch to more than 5000 acres. But his crop this time was a failure and as a result of this and other reverses Mr Bowles was forced into bankruptcy. Following the failure of his plan to profit by became State Organizer for the Socialist party in North Dakota. He was a candidate in the Socialist ticket in 1910 for election to the Legislature but was defeated. Following such defeat he and Mr A. J. Bowen who had been a Socialist candidate for Governor in 1912 and in 1914 was candidate for election to the Legislature as the Socialist ticket came to Research to attend the Legislative session. Mr Bowles, Mr Bowen and a number of other Socialists attended the right meeting in February 1, 1915, called by The Society of Equity and Mr Bowen outlined to the assembled leaders a plan for a farmers organization with dues paid headquarters an official newspaper and with organists and speakers in the field. The proposal was enthusiastically endorsed by the meeting. The name appears at its inception to have been Mr Bowen's, rather than Mr Bowles', and it used to have been first discussed in the former's office. Mr M. P. Johnson, President of The Society of Equity of North Dakota in the early winter of 1914 is to, Mr Johnson, Mr Bowen and one other. There is also evidence that it was Mr Bowen who persuaded Mr Bowles that the plan was practicable.

DETAILS OF ORGANIZATION

Following establishment of the project in the meeting held under the auspices of The National League developments came rapidly with Mr. Tammie, the projector as the driving force and practical executive. The Nonpartisan League was organized a pledge from the members to sign. Membership fees placed at \$6 per annum, and organizers engaged in a great tour of education from end to end in North Dakota and beyond in their work. Mr. Franklin became President of the temporary organization, all the others were supporters or at least had been affiliated with one or other of the organizations. There is danger of overlooking the acts of Mr. West as appointed by Franklin the controller of the supporters of The Nonpartisan League that the League ought to be judged by its members rather than by the past or present political affiliations of certain of its members is not without justice. Nevertheless there is sufficient cause to be fact that since the commencement of The Nonpartisan League regime in North Dakota that State has become the Mecca for radicals of almost every creed and stripe many of whom are now, or have been, on the payroll of the State and others on the salary list of The Nonpartisan League. Many of the League workers are, or have been, leaders of nations and even international reputations and The Nonpartisan League has advertised in the Appeal to Reason for organziers for the various States in which the League is operating. The mercantile affiliations of the League organizers and employees are short.

in original letters and documents which have been placed in the State Historical Library at St Paul. This information has also been compiled in book form in which many of these letters and documents have been reproduced, under the title "The Leaders of The Nonpartisan League" by Mr Arthur Howard of Minneapolis. There is for example indisputable evidence of negotiations between officials of The Nonpartisan League of North Dakota and the Farm Hawks Division of the Industrial Workers of the World known as Agricultural Workers Union No. 400 leading to an agreement for the hiring of farm help in North Dakota men through the Minneapolis office of the A. W. U. Suggestions that The Nonpartisan League was involved in German propaganda in the United States after the country joined the Entente Allies have not been proved, although Mr Townley was arrested and convicted on a charge of making dualist speeches. Mr J. R. Waters who formerly was Manager of The Bank of North Dakota has testified under oath that Mr J. J. Hastings, formerly local agent of The Nonpartisan League told him that he Mr Hastings got \$50,000 of German money after meeting a Mr Pudgenstecker and others at dinner and giving them a talk on the aims and purposes of The Nonpartisan League and its need of financing.

Mr A. C. Townley himself is perhaps better described as an opportunist than as a Socialist. Although formerly State Organiser for the Socialist party of North Dakota he was later repudiated by that organisation after he had engaged many of its workers for service under him in The Nonpartisan League. The Nonpartisan League was the organ of the Socialist party in North Dakota in May 1916 and in part

Socialists fear that there is no subject in the English language strong enough to apply to myself and my comrades for writing some of the Trotskyite demands we of our writers to the effect of showing our organisation to be used as a stepping stone to power and defeat our fellow men.

A. C. Townley, the long-time leader of the Socialists and the man of The Nonpartisan League claimed his first success in the fall of 1916 when he was sent as an organizer for the Socialist party to Montana party. He promptly turned his duties over to his old comrades of the Socialist party and unknown to the executive committee induced a few Socialists to put up money enough to buy a Ford auto, explaining that he could cover the country quicker and better that way. Thus as soon Townley's great aim in life was to get the money.

PROGRAMME AND PRESS

The initial programme of the League was as follows:

State Terminal Elevators, Flour Mills, Stock Yards, Packing

Houses, and Cold Storage Plants

State Health Insurance

Single Tax on Farm Lands

State Inspection of Package and Grading

Rural Credit Banks operated at cost

Organization proceeded apace for whatever may be Mr Townley's merits and demerits he at least has organizing ability of an unusual order.* Hundreds of workers were recruited, many of them Socialists imported from various parts of the United States. Members and subscriptions were secured without much difficulty & the programme of The

*Mr Townley also has personality and his methods appeal to the imagination of the people. In the last election campaign for example, he toured the State in a high power automobile.

The success in this connection appears to be attributable in part to the substantial contributions which were offered to candidates.

Nonpartisan League finding ready favor in the eyes of the farmers if cash was not immediately available the organizers accepted cheques, some of which are said to have been dated as much as two years ahead for a time the affairs of the League were handled by Messrs Townley & C. Hosen & H. Wood a Socialist Farmer who appears to have supplied the initial organization expenses. Mr. Townley a radical from the State of Washington who was employed to manage the organization work and William Lemke a lawyer of Fargo, N.D. Later the temporary organization was made permanent with Mr. Townley as President, Mr. Lemke Vice President and Mr. F. H. Wood a member of the executive committee of three.

Dues for membership in The Nonpartisan League were raised in the Summer of 1915 to \$8 per annum. In the Spring of 1916 a League convention was held at Fargo and a State ticket prepared. The Republican party was the dominant party in the State and Mr. Townley and his associates were shrewd enough to see the advantage of working through the State Republican organization. The Republican party machine was captured and the League's candidates were endorsed at the Republican State primaries, with the exception of the nominee for Treasurer who ran on the Democratic ticket. In the general election of 1916 all of the League candidates for State offices were elected with the exception of the candidate for Treasurer who was a Democrat and was defeated by the Republican nominee. Out of a membership of 113 in the North Dakota House of Representatives The Nonpartisan League elected 80 of its own supporters while other members were favorable to the League programme. Of a Senate membership of 49 20 were League. The election gave to The Nonpartisan League control of the State offices and control also of the Legislative Assembly except for enactment of emergency measures which required a two-thirds majority.

With political power at last in his grasp, Mr. Townley and his associates were not slow to develop their radical ideas. But it was first necessary to ensure the absolute support of League members. League candidates have been required in some instances at least to sign an

Agreement of Endorsement in which they pledged themselves unconditionally to vote and work for those measures and legislative acts that are approved by a majority of the Members of the Legislature elected by the League and organized labor. In addition a secret caucus was instituted at the commencement of the 1917 session and most important pledges are said to have been required from those permitted to attend. In this way any tendency towards independence was speedily checked and the so-called Big Five were seated in their control. Mr. Townley was ruthless in dealing with opposition and through controlled newspapers or otherwise he has bitterly attacked and denounced even high officials who did not agree with him and said so. The President of the Society of Equity of North Dakota was among such victims.

Mr. Townley has recognized from the first the value of publicity, and control of newspapers has been an essential part of the media approach of the dominating influence of The Nonpartisan League. The latter gradually have built up a formidable newspaper organization by which they can distribute their propaganda widely. In September 1915, Mr. Townley, as head of The Nonpartisan League established The Nonpartisan Leader at Fargo, N.D. as the official organ of the League.

He also secured control of *The Farmer News*, at Fargo. Both these papers were controlled by The Nonpartisan Publishing Company which was organized for the purpose by employees of Mr. Tonnesen. The latter controls the financial affairs of the publishing concern. At every two-year membership fee of \$15 accrued to the farmers. \$5 was appropriated for a two-year subscription to *The Nonpartisan Leader*, although it should be noted the latter publication was privately owned and the members of the League had no financial interest in it. This method of securing subscriptions was a decidedly advantageous one for the news paper. Subsequently the Publishers' National Service Bureau was organized and through Mr. Tonnesen and his friends now control two daily and some fifty three local weekly newspapers in North Dakota and the aggregate circulation is large.

REORGANIZED ON NATIONAL BASIS

After initial successes in North Dakota it was decided to reorganize the League on a national basis. Accordingly headquarters were transferred to St. Paul and later to Minneapolis and The Nonpartisan League became The National Nonpartisan League with which the several State organizations are affiliated. The official League newspaper was also moved to national headquarters and is now published under the name of *The National Nonpartisan Leader*. Membership dues ten years have been increased to \$35 payable in cash or by post dated cheque. The National Nonpartisan League now has organizations in 13 Western and Northwestern States. In addition to the newspapers controlled by Mr. Tonnesen and his associates the Northwest Service Bureau which is another Tonnesen organization controls a number of weekly newspapers in Minnesota. There too there is *The Minnesota Daily Star* which is said to be owned cooperatively by League farmers and labor men and which is a useful propaganda medium for the League. Official League newspapers are published in Montana and South Dakota as well.

The National Nonpartisan League like the original League in North Dakota is a political organization founded upon the theory that everywhere politics is used to enrich the business class, bankers, lawyers and middlemen, land sharks and speculators in the interests of life. It aims to unite farmers and laborers politically on the strength of an appeal to class. While opponents charge that The National Nonpartisan League has as its objective the overthrow of Government and establishment of a socialist state modelled after the Soviet in Russia officials of the League profess that they have no such ultimate goal and no political philosophy, that they are solely political pragmatists experimenting in an effort to free the people from what they believe to be monopolistic control. Even Mr. Tonnesen's western friends admit that he is an agitator rather than a constructive statesman. The plans of The National Nonpartisan League at the present time are the in number

I. Government Ownership of Railways. The League is basically committed to the so-called Plumbe plan under which the Government of the United States would take over the railroads in exchange for bonds. The proposals of Mr. Plumbe found some support but the experience of the United States with Government operation of rail transportation services during the war appears to have consolidated majority sentiment in that country overwhelmingly in favor of private ownership and operation.

3. Abolition of Gambling in the Various States of Life. The means by which this world aims to be accomplished have not been explained. The League claims a total of 300,000 dues paying members and has won considerable political power in several States. Following are membership figures for all of the States where the League has been most active —

North Dakota	50,000
Minnesota	50,000
Idaho	30,000
South Dakota	30,000
Nebraska	20,000
Iowa	15,000

BEST OF THE BEST

It has been estimated by opponents and therefore conservatively that in the elections of November 1920 The National Nonpartisan League ticket was elected in one out of eleven states where the names of League candidates appeared on the ballot. In Wisconsin The Nonpartisan League was elected with the Laborite ticket and the non ticket was second place. It is claimed by the Independents that the partial success of The Nonpartisan League in North Dakota in the November voting was due to the fact that most of the League's candidates were the Republican ticket having been excluded by the Republican party in the primaries last June. The Secretary of The Independent Voters Association in North Dakota has furnished the following information of the get election in that state:

...the principles and which had been passed by the last session of Congress, were referred to the present committee on joint legislation, and the bill, being sent to Committee, had passed without any opposition, was agreed to by the present session of Congress on the 11th inst., and will be presented to the Senate.

The government of the Province of Ontario has been asked to take the following steps:
1. To issue a circular to all the police forces of the Province of Ontario, asking them to make a special investigation into the conduct of the Royal Canadian Mounted Police in general, and particularly in the matter of the shooting of the two men mentioned above.
2. To issue a circular to all the police forces of the Province of Ontario, asking them to make a special investigation into the conduct of the Royal Canadian Mounted Police in particular, in the matter of the shooting of the two men mentioned above.
3. To issue a circular to all the police forces of the Province of Ontario, asking them to make a special investigation into the conduct of the Royal Canadian Mounted Police in particular, in the matter of the shooting of the two men mentioned above.

The said Republic has never admitted the United States
Senate to its aid. The Republic stands. Two out of three Congressmen
elected from this State are Independents.¹

While the influence of The Nonpartisan League extends to other States, the organization will be judged on its record in North Dakota. A delegation from Kansas recently visited North Dakota to study the operation of the New Deal legislation there, while the present contest

between The Nonpartisan League and its opponents in North Dakota is being watched with much interest throughout the United States and Canada. The League's industrial programme has proved a sorry and costly failure apparently beyond hope of successful rehabilitation and the Administration has been largely discredited. It remains to be seen whether by some unforseen complete disaster can be averted. But immeasurably more important than the fate of the organization known as The Nonpartisan League is that of the ideas which the League has sponsored and attempted to translate into practice. Already an attempt is being made to defend the radical programme and to attribute non-success entirely to political control and considerations of political expediency. It is not so easy however to apportion responsibility for a combination of unbusinesslike administration and unsound theories. Even if one can accept the charge that there has been dishonesty as well as incompetence in the conduct of The Nonpartisan League activities the present situation in North Dakota is not due entirely to either or both of these factors. The programme of the League in just at least was fundamentally and inherently unsafe and unsound and was formulated in disregard of the lessons of experience and the proved principles of political economy. Unsound theories generally have as their proponents those who are incompetent as practical administrators, but it would be just as reasonable in case of a fire to blame the human element alone and exonerate the ideas as it would be to attribute the collapse of a storehouse solely to the weight of the contents and in no way to sufficient regard by the builders to proved principles of structural strength. Shortcomings on the part of those charged with the conduct of public affairs are not an exclusive misdeeds of any state or nation. Under responsible government responsibility for such blameworthy administration must rest with the electors. The question of competence or incompetency of public officials is of small importance as compared with the state's mind of the citizens generally. It is possible for an intelligent sound minded and highly privileged electorate to elect itself a undesirable representatives, but if the citizens themselves have followed after strange economic gods it takes the chastisement of loss and suffering to turn them from the wrong way. Such appears to have been the situation in North Dakota. The strength of The Nonpartisan League in that State consisted mainly in the fact that a large majority of the voters accepted the ideas behind the League's industrial programme. Questionable as were the methods of some of the officials the greater evil was the approval given by the public to economic policies which inherently were unsafe and dangerous.

The "Industrial Programme" in North Dakota.

The ultimate object of The Nonpartisan League Movement in North Dakota was designed to be the elimination of the privilege of the middleman through co-operation and joint ownership of the means of production. In order to prevent such a programme from becoming of the Negroes' concern, the other members of the League, composed of the Negro, held enough of a majority to force the non-passage of the right of the State to have such power. Accordingly, an amending measure was introduced under the direction of Mr. Fonda, and his colleagues. A motion was added to the League's bill of Rights, providing that the right of the State to own, possess and control the means of production is hereby renounced. This provision was passed by a vote of 100 to 0 in the House of the State at the time the resolution was adopted, some 30 days ago. On July 1, 1917, the State debt was \$1,100,000. This amount had a limit of \$1,000,000, and since the meeting before the amendment that the Negroes and their allies forced this limit, it is apparent that payment of debts in excess of the debt limit specified in the original bill which was passed by their supporters, will be impossible in view of the fact that there are no persons or institutions that would loan money to the Negroes personally. The amendment, which was adopted by the League, has been ratified by the Legislature. Accordingly, the Negroes can get loans and personal property from institutions for industrial purposes, but though all these amounts are given and used to the Negroes' personal property, the same cannot be sold, or mortgaged to the Negroes, but only to the League, itself. The old amendment provided a clause whereby after the amendment goes to the Legislature, the right to possess and to own property of Negroes. The former law of the State made it impossible for Negroes to buy a large amount of houses, which were originally guaranteed by the old amendment, because it was believed apparently that Negroes did not need to buy houses, the State believed that Negroes did not need to buy houses, so they prepared the amendment of an act to give the Negroes the right to buy houses, but the amendment against this language has had 10 perhaps 11 different readings, and now it has been introduced, and the author of this amendment in writing the League programme was a change on the programme relative to applying services. The former amendment provided that particular Negroes might not be compelled to live on roads of public highways, and to represent the personal service. The general amendment changed the meaning and sense of the section by omitting the words "or render a service". The bill in amendment of the constitution was introduced forty-five days ago, but a favorable majority was obtained in the House of Representatives. In the Senate the bill was defeated, on a vote of 25 to 26.

Despite failure to secure passage of the measure in the Legislative Assembly, the League leaders had the privilege of appealing to the citizens directly through constitutional amendments embodying

all the essential provisions of the rejected bill but with certain modifications in reference to objections raised in the Legislature were prepared submitted at the general election on November 5, 1918, and adopted by large popular majorities.¹ The constitutional amendments so adopted on referendum in 1918 had the following effect:

Power was given for a State tax on lands or the purpose of providing had evidently increased.

Powers of the State courts were changed by providing that no legislative enactment should be declared unconstitutional unless at least two of the five judges of the State should so decide.

Requirements relative to the initiative and referendum as applied to legislation were altered.

The most famous provision that taxes shall be levied and collected for public purposes only² was enacted.

The Legislature was empowered to exempt any or all classes of personal property "for education and the protection of tangible personal property" was defined to include all buildings and improvements.

Issue of State bonds or a State guarantee of bonds was authorized with a limit so that all bonds in excess of \$2,000,000 must be secured by first mortgagors on real property in amounts not to exceed one-half of the value of such real and personal property of State owned or held in emergency or otherwise in amount not exceeding in sum. Another provision was to the effect that the State could not issue of guarantees on the stock property of State owned or held enterprises or institutions in excess of \$10,000,000.

Authority was given for the State to levy taxes to make internal improvements or to engage in any industry independent of business not prohibited by Article 20 of the constitution.

The Nonpartisan League was then in a position to launch its program of economic reform.

UNSOUND BANKING METHODS

Pending the revision of the State constitution to give the added powers desired the Nonpartisan League was inactive. In the session of 1917 the Legislature enacted a series of more than 30 laws and the League propagated the view that the revised was well advanced. There is perhaps some truth in the statement that North Dakota had lagged behind other states in respect of progressive legislation and that the new laws were needed to bring it abreast. Be this as it may a number of measures enacted in 1917 probably were sane and safe enactments in the interests of the people. Unfortunately they did not all be placed in this category. In the doubtful class may be mentioned the Liens on Bank Deposits Law which appears to have been modelled after the legislation in South Dakota. While a Nonpartisan League Legislature actually placed such law in the state banks the League would be held entirely or even principally responsible. The guarantee legislation was not initiated by the League and indeed the principle was endorsed officially at the annual meeting of the State Bankers' Association in July, 1916.

The measure as passed by the North Dakota Legislature in 1917 provided for creation of a Depositors' Guaranty Fund Commission, consisting of the Governor of the State the State Bank Examiner and three other members appointed by the Governor. Such Commission has administration of the Guaranty Fund which is made up as follows:

Every State bank is required to contribute one thousandth of one per cent of its average daily deposits during the preceding 12 months. A similar levy

¹The average number of yes votes in 1918 on the constitutional amendments was 68,429, against an average of 22,314 no votes.

of one department will give way to the more amicable and the less antagonistic forms of government in the community. Local questions may yet arise at the strongest party discussions.

The temperature response of the *luteola* and *luteola*-*viridis* hybrids to cold treatment was similar to that of their parents. The *luteola* and *luteola*-*viridis* hybrids had a higher percentage of seedlings germinating at 10°C than did the parents. The *luteola* and *luteola*-*viridis* hybrids had a lower percentage of seedlings germinating at 20°C than did the parents. The *luteola* and *luteola*-*viridis* hybrids had a higher percentage of seedlings germinating at 30°C than did the parents. The *luteola* and *luteola*-*viridis* hybrids had a lower percentage of seedlings germinating at 40°C than did the parents. The *luteola* and *luteola*-*viridis* hybrids had a higher percentage of seedlings germinating at 50°C than did the parents. The *luteola* and *luteola*-*viridis* hybrids had a lower percentage of seedlings germinating at 60°C than did the parents.

There is nothing that can be done to prevent the transmission of the disease other than keeping away from it. There is no specific treatment for the disease, but the symptoms can be managed with the help of medications. It is important to seek medical attention if you suspect you have the disease.

I consider the question of the Natives was reopened to admit the three apprentices of the Native and the apprenticeship from a school of mine selected by the South Indian Masters. This again has been the regarded question for the apprenticeship. Some have demanded State Service where as that there is no such one given at least under the Government. It is a suggestion and the other part has said that the one has specified in their documents and now called it as to where else, place these masters. However, there is a condition to consider that the Government had brought them and arranged apprenticeship for them persons of whom and are been given all the living expenses. The other members of Govt. are responsible for the welfare of the Natives as that State Indian Masters will be made up of. Mr. T. S. Venkateswara Iyer, Bangalore which is required for some time. There is a demand after a few months for a sufficient number of the apprentices. The natives are to be given a good reward equal to

It is the hope of the group that in the long run we want to expand our program to the production of fine art editions.

Now the big figure for the large Bank balances including 110 Savings Banks and 4000 private accounts is December 31, 1919. I would hazard the estimate of \$17,000,000 against deposits totalling \$125,000,000 or a little less than one-half of the total. In his report for the year 1919 General James H. White, the State Auditor, says:

The Bank has been successful during the past six years. The New York Branch at one time or another has appeared and disappeared and all the present branches have been opened by the Bank. The present assets of the Bank and its debts are as follows: Assets \$1,000,000.00. The Florida State Bank of Miami Beach has a balance of \$100,000.00. A number of other unopened and discontinued banks have had balances up to \$100,000.00. The Bank is capable of protecting and liquidating its property.

MANY BANKS FAIL TO CLOUT

It is probably due to pessimism on account of the last mentioned failure that Company Fund deposits on June 30, 1928, for 718 State banks and 4 trust companies were reported at only \$27,014,711, com-

substantially less than half as much as on December 31, 1916, against deposits of \$121,670,017.30 or slightly more than one-tenth of one percent. Recent banking happenings in the State and the fact that during recent months between 35 and 40 banks have been liquid will also bear out the statement by Mr. Langley that before there were signs of trouble.

While the small and local banks are reported to have had few losses involving depositors, the deposits would be considerably less if the liquid group were added and it is likely that 100 to 120 banks become insolvent before it would be safe and legal before they could be large enough to give up the deposits.

While it is expected that most of the banks in North Dakota which have been failed during the present difficult period will be re-opened in some form, it is felt that there will be considerable losses to the depositors for which claimants will look to the Depositors' Contingency Fund. In view of the circumstances such a 10% per cent of the average bank deposits of all State banks under Contingency Fund could not be expected to provide over \$1,000,000 per annum and such amounts will probably not be forthcoming from time to prevent re-incorporation of most of the failed banks in longer English charter and state charters. The administration of the existing fund under the proposed rules of action of the bank failures will be modified so as much as possible to meet just such contingencies as those where the legislature was divided. But a majority fund which gives an additional sense of security does encourage depositors using reasonable judgment to discriminate between depositaries for their funds regardless of whether a closed bank or a competitor for deposits regardless of whether these institutions have obtained or are seeking some form of control and thus prevent themselves from being attacked by others.

Moreover, it is felt that an independent responsibility to small depositors who are maintaining the usual responsibilities of the guarantor in case of emergency will not be given birth to the fact of a National Fund as affecting ultimate protection and use of its best funds deposited in any bank operating under State laws. The attitude of the banks to the Depositors' Contingency Fund is well shown by the fact that since 1915 only three National banks in North Dakota have surrendered their federal charters for the purpose of reorganizing as State banks while during the same period no less than 62 State banks have either been converted to National banks or have been liquidated and succeeded by National banks. In each of the years 1915 and 1916 there were twenty-nine transfers of banking institutions from State to National charters. In 1917 only three will be on record. In the three years since that time there have been seven. It is apparent that the suggested provision for depositors in State banks under the Contingency Fund has not been recognized by the National banks as an important advantage of which they should avail themselves by reorganizing under the banking laws of the State of North Dakota. Indeed it seems most improbable that after the present experience there will be a considerable number of transfers from State to Federal charters.

LEGAL AND INDUSTRIAL PROGRAMME

While various reform bills were enacted by the 1917 Legislature including extensive measures to regulate or improveably taxable to the

"The Fugitive Tax Act of February 28, 1917, and its amendment, "The State Liquor Tax Act" now pay the dividends upon a sum of \$1,000 or even \$2,000."

agriculture and to Labor that seemed proved to be little more than a preliminary Carter preparatory to the more ambitious projects entered upon by the Legislature at the regular and special sessions in 1919. Implementation of the so-called industrial programme was dependent upon the constitutional amendments adopted by the voters in 1918 and The Nonpartisan League leaders were powerless to put their ideas into effect. Early in 1919 a bill was passed creating the Industrial Commission of the State of North Dakota such a commission consisting of three members the Governor, Attorney General, and Commissioner of Agriculture and Labor any two of whom would constitute a quorum. This Commission was empowered and directed to manage, operate, control and govern all industrial enterprises and business projects now or hereafter established owned, undertaken or operated by the State of North Dakota except those carried on in penal, charitable or educational institutions. For this purpose it was vested with far-reaching powers and provided with an appropriation of \$100,000. The Industrial Commission has been the managing of all the industrial activities of the State. Through it The Nonpartisan League with Mr. Townley at its head has exercised the most absolute control. When the Commission was appointed all three members were Leaguers. Mr. Langren who was Attorney General before the last election later broke with his former associates and has been active and violent in denunciation of The Nonpartisan League in bodies and all its works. But the members of the Industrial Commission constitute a quorum and the Governor and Commissioner of Agriculture and Labor were faithful to the League and its President so that the Commission's powers in no way were restricted or impaired.

The establishment and operation of State industries necessarily would call for large sums of money and Mr. Townley was shrewd enough to recognize the potential dangers of excessive bond issues, the difficulties of calling such bonds and the limitations of the small unit banking system in North Dakota in regard to loans to State enterprises. But the latter must be financed. Then too there were the numerous private and semi-private undertakings of Mr. Townley and his associates the success of which also depended in large measure upon the availability of generous banking accommodation. Altogether from the point of view of the League itself a State bank seemed to be highly desirable if not absolutely indispensable to the carrying out of the industrial programme. Accordingly a bill which was passed by the Legislature and approved by the Governor on February 23 1919 provided that for the purpose of promoting agriculture, commerce and industry the State of North Dakota shall engage in the business of banking and for that purpose shall and does hereby establish a system of banking owned, controlled and operated by it. The Bank of North Dakota is upon a plane of continual importance in relation to the industrial programme of The Nonpartisan League. It is the only official project of the League which has been developed to any large extent and it has been the crux of recent discussions as to the future activities of the League. Its operations will be reviewed in a separate chapter.

Although the Bank of North Dakota is the only item in the North Dakota industrial programme with which much progress has yet been made it is abundantly plain that the Bank was intended primarily as a means of carrying out far-reaching plans of amalgamation with the

avowed purpose of "freeing" the people of the State from the control of the monopolies which have so long oppressed them.

DEFICITS AND DELAYS

The original programme of The North Dakota League called for eight terminal elevators, flour mills, stock yards, packing houses and cold storage plants. That pledge has been implemented to the extent of a flour mill at Devils Lake N.D. with a capacity of 225 barrels per day and the partial construction of a \$1,000,000.00 x \$1,200,000.00 State mill and elevator at Grand Forks N.D. In the regular session of 1919 the North Dakota Legislature enacted the North Dakota Mill and Elevator Bill Section 1 of which provides that "at the purpose of developing agriculture and industry the State of North Dakota shall engage in the business of manufacturing and marketing farm products and for that purpose shall establish a system of agricultural elevators, flour mills, grain and plants, machinery and equipment owned, controlled and operated by it under the name of the North Dakota Mill and Elevator Association. Such Association may be organized by the Industrial Commission and its absolute value further fixed. A bill was passed providing for the construction of State mills to the amount of \$5,000,000.00 for carrying out the purposes of the Act. As a result of a special mill bill introduced under authority of the Legislature Assembly of 1913, the State officials had a vote of more than \$10,000,000.00 and this was turned over to the Mill and Elevator Association. In addition a direct appropriation of \$10,000,000.00 was made. On August 6, 1919 the Association purchased the small Drake mill at a cost of \$200,000.00 of improvements, equipment and fixtures including a \$10,000.00 which goes wholly to benefit the farmers in the immediate locality. The Drake mill is not a factor of great importance in the grain situation. Total receipts from grain more than \$10 per bushel of wheat generated during same period by The North Dakota League division there is no conclusive evidence that of has effected any general improvement in the price paid on the farms of the State for grain or on the general which there has been paid to the consumer. On the other hand no taxes have been charged against the State mill either in the assessment bills but of course it has been considered as an item of expense and part of the overhead expenses have been paid from the legislative appropriation and not charged against the revenue of the mill. Allegations of no expense have been made repeatedly against the management of the State mill and the State Auditor was denied permission to examine the accounts of the mill on October 16, 1920, as recommended by the League. Also The Industrial Commission issued the following report in which it is found \$10,000,000.00 December 1, 1920 in connection with the Drake mill, was admitted. A profit was claimed July 1, 1920 and the letter states that this was attributed largely to the decline in the price of grain. The greater part of the loss accrued in storage, three fourths of which went to the consumers United States Company Inc. who was organized under the auspices of The North Dakota League but with private capital and under private control. The probability of additional losses is account of loss of 10% in the handling charges is considered. During the calendar year 1920 the State mill manufactured 2,150,000 bushels of flour using wheat which cost \$3,400,000.00. This means that it handled in 1920 only about the equivalent of 2 per cent of the North Dakota grain crop of 1919. In December 1919 the mill had no load

or on order sacks costing approximately \$17,000 about 1½ years' supply. This large quantity apparently had been purchased when prices were about at their peak and the Industrial Commission's report states "When the bottom fell out of the cotton market the price of sacks collapsed and a decline of approximately 40 per cent was sustained."

In order to obtain the State mill and elevator for their municipality citizens of Grand Forks subscribed for State bonds to the amount of \$600,000 to provide a small part of the cost of construction but the work has been financed to its present stage principally by loans from The Bank of North Dakota. The plans call for a mill of 2,000 barrels per day capacity consisting of two 1,000-barrel spring wheat units and one 1,000-barrel bran unit and for modern facilities for cleaning, washing, drying, storing and shipping. The Grand Forks construction has been advertised as the first big unit of the State system of elevators and mills. The contract was awarded on April 29 and the plant was to be in readiness to begin operations by November 1, 1920. It is still only a little more than half finished and lack of funds has recently compelled a complete suspension of work. The expenditure to date is in excess of \$600,000. The State Mill and Elevator Association is indebted to The Bank of North Dakota to the amount of approximately \$610,000 and on December 31, 1920, had a cash balance on hand of only \$10.

HOME BUILDING PROGRAMME

The Home Building Association of North Dakota is another interesting creation of the Legislative Assembly and like the other State industrial trusts, is under complete control of the Industrial Commission. Any person may open a home buying account with The Home Building Association and it is declared that special effort shall be made to insure deposits from children, young people, renters and wage earners, in order that more people may own their own homes. Such deposits bear interest at a rate determined by the Industrial Commission and may be withdrawn upon six months notice. Ten or more depositors in The Home Building Association may form themselves into a local Home Buyers League subject to rules of the Industrial Commission. No person may become a member of a Home Buyers League without the written consent of all the other members. Whenever a member of a Home Buyers League shall have deposited with The Home Building Association a sum equal to 20 per cent of the total selling price of a home of his choice the Association is required upon his application, to purchase or build a home for him taking a cash payment of 20 per cent and a mortgage on the property for the balance. Such mortgages are to be based on an amortization plan providing for complete payment in not less than 10 years and not more than 20 years except that payments may be extended under special circumstances. The Act provides that no home shall be built purchased or sold at a price to exceed \$5,000, except in case of a farm home the selling price of which shall not exceed \$10,000. The Association is required to make a specialty of building standardized homes and other buildings and equipments and the Industrial Commission is empowered to acquire suitable tracts of land by purchase or by lease or of the right of eminent domain, and to subdivide such land into lots and lay out streets, sidewalks, parks and gardens thereon and build houses on said lots, as provided for herein and supply them with water, light and heat. A section of the

Act provides that each member of every Home Owners League shall for jointly and severally hold for all contracts, debts, and obligations due the Association from his League to the extent of 15 per cent of the price at which his home was sold to him. All funds of the Association must be deposited in the Bank of North Dakota and disbursed through it."

The Legislature authorized the issuance of bonds to an amount not exceeding \$1,000,000 to provide for the financing of the Home Building Association project such bonds to be secured by mortgages arranged by the Associations to obtain the resources of organizing the Home Building Association and to protect its members and bonds could be sold and discounts received and credits made with appropriate the Legislature appropriated \$100,000. At the end of 1920 the Association had purchased and sold 4 houses completed 2% and had 26 others in various stages of construction. Most of the houses have been sold at 15 per cent although it is understood that there are only one \$14,000 house to Mr. William Lester State Auditor General. Houses built or under construction by the Association had cost \$25,422. At the end of the last calendar year Prior to January 1, 1920 joint marital expenses were not deducted on the construction cost but it has been the practice since that date to pay such expense. Mortgages on hand on December 31, 1920 at 15 per cent plus freight were valued at \$26,728.00. An audit report made recently at the instance of the Legislature stated that the Association had no cash assets. As all houses are required to be built and sold at actual cost there is no profit or loss statement but with falling prices of houses were not comparable. The Association is indebted to the Bank of North Dakota in the amount of \$26,000 and at the end of the year had a cash balance of only \$5.72. The home building enterprise has brought no general advantage or importance to the people of North Dakota. On the other hand it has tied up certain money in long term loans on property which may or may not prove sufficient. Moreover with the price situation uncertain there may be immediate losses to be borne by the State.

Under the Had Insurance Act a tax of three cents per acre is imposed upon each and every acre of eligible land in the State in addition to which flat acreage tax an indemnity acreage tax sufficient to meet all losses and delay expenses of management but not exceeding a sum one year's rents per acre is levied on all actually cultivated and cropped land except bar and marsh lands. Notwithstanding the operation of the Act, any owner may withdraw his land from the benefits of the Act and escape payment of the indemnity tax but the land is still subject to the flat acreage charge. The maximum indemnity payable under the Act is \$7.00 per acre and no indemnity is allowed for a loss of less than 10 per cent. The Legislature appropriated \$100,000 to put the Had Insurance Law into effect. The three per cent acreage tax has placed a burden of more than \$200,000 upon lands not insured for the benefit of those who take advantage of the indemnity clause. Former State Auditor Rosberry has charged the Had Insurance Department with overstatement, alleging that double payments had been made as well as payments in cases where there was no insurance and that hundreds of persons are charged with a had tax who had withdrawn

*Auditors have stated that the Home Building Association's accounts are not usually auditable and no reports voluntary or otherwise on auditing the actual accounts of the Association.

from the last insurance." Losses under the Act are incurred during July. The adjusted claim has to await payment out of the same year's tax which is due December 1 and delinquent on March 1 following. Payment in account of claims is commenced therefore about January, or six months after the loss is incurred. The average interval is considerably longer and some approved claims on account of losses in 1919 were still unpaid on January 1, 1921.

WORKMEN'S COMPENSATION ACT

The Workmen's Compensation Act is a measure for which The Nonpartisan League takes much credit. The law applies to any employment in which one or more employees are regularly employed in the same business or in or about the same establishment except agriculture and domestic service. The Workmen's Compensation Bureau was created and a state of charitable compensation provided. The head cost of which such compensation is made is provided by annual payments by all employers subject to the law at rates prescribed by the Bureau and based upon a classification of employments with regard to the degree of hazard. The Bureau is required ultimately to be self-maintaining. In each class of occupation the lowest possible rates of premium consistent with the payments and the expected rates of the Bureau and maintenance of a solvent reserve are fixed and the creation and maintenance of a reasonable surplus after the payment of legitimate claims for injury and death. Initially the Bureau is to fix the rates of premiums sufficiently high to provide for the payment of the expenses of the Bureau, the payment of compensation according to the schedules established by the Act and for the maintenance of adequate reserves and surplus by the North Dakota Workmen's Compensation Fund to the end that such fund may be kept at all times in an entirely solvent condition. Ten per cent of the money paid into the fund must be set aside for the creation of a surplus and such surplus shall amount to \$50,000 after which time 5 per cent of receipts must be credited to surplus until such time as, in the judgment of the Bureau such surplus shall be sufficient to guarantee the Workmen's Compensation Fund from year to year."

The following reference to the State Workmen's Compensation Fund is found in "The North Dakota Industrial Programme," a publication issued by the Industrial Commission and is typical of the anti-business propaganda of The Nonpartisan League:

"While the cost of administration will be first year will be higher than for the years prior the department is fully organized the Commissioners confidently expect that the expenses for the first year will be far below those incurred by private companies. After the first year the Bureau expects to administer the fund at an expense of not to exceed 10 per cent of the earned premium of the fund which is one quarter of the expense rate of liability insurance companies. This reduction is made possible by elimination of a dozen items of expense of little liability but an every hundred dollars liability paid by private companies for liability insurance offices for getting business for the payment of large sums the offices of business others and for the payment of the dividends that have to be earned by the shareholders of private companies."

Confidence for the first year that the Act was in operation exceeded disbursements by some \$600,000 and the latter amount was left in the hands of the Bureau without legal accountability and without even the safeguard of examination of the Bureau's books by the State Auditor

It has been freely charged that such money was used to further the political aims of The Nonpartisan League.

Criticism of a workmen's compensation law on a scientific basis and administered equitably, efficiently and reasonably probably would find little support in modern society. Indeed it does not appear to be the principle of the North Dakota legislature to which objection is taken but many employers complain bitterly that they are charged rates several times as high as those former's charged by private companies and that the effective benefits are not so great. It is alleged also that the Act is administered inefficiently and that enormous premiums have been levied out of proper proportion to hazards in different employments with the professed intention of building up a large surplus. An Anti-League Republican State Convention held at Minot, N.D., on May 1920 included in its Resolutions (Part III) a statement that The Nonpartisan League had enacted a workmen's compensation law and rules for its administration which take from employees of the State hundreds of thousands of dollars in excess of all legitimate requirements and which do not bear equally upon employees of all labor in the state. The meeting passed a resolution to remonstrance such effect. Chief Justice Johnson of the State Supreme Court in a recent letter to the press was referring to the Workmen's Compensation legislation when he wrote: And in certain insurance industries for accident insurance of employees there has been levied a tax of nearly a million dollars a year a sum ten times the amount necessary to pay the insurance. In that way many have been driven out of business and out of the state. And what is that but simple robbery in the guise of taxation? Another act has said a law that collects a fee of \$1.45 for protection in the same kind of hazard as a neighboring state turns over at a cost of 10 cents as regards in need of material resources. The former State Auditor was denied permission to audit the State Workmen's Compensation Fund and there has been general dissatisfaction among employers with the administration of the Act.

STATE INSURANCE AND OTHER MEASURES

The Insurance of Public Buildings Act provides compulsory State insurance for property of counties, cities, towns,梨 and school districts. Officers or agents having charge of any public buildings are prohibited from taking out fire or tornado insurance for such property except through the State. If at any time sufficient funds are not available in the State Fire and Tornado Fund to cover any loss or damage from these agencies, provision is made for payment from the State treasury. The initial rate chargeable is the average rate charged by responsible fire and tornado insurance companies doing business in the State of North Dakota and issuing policies on similar properties. Provision is made for a lowering of rates, and when the State Fire and Tornado Fund shall equal 10 per cent of the risk carried. The State Insurance Department is not permitted to insure any one risk in amount greater than \$100,000 but must insulate any one risk to that amount to such the same way that public property is insured. The State provides for compulsory bonding of officers of the State and to political subdivisions payment from public funds of premiums for bonding other than payments into the State Bonding Fund have been made illegal.

In addition to the measures already referred to, the Nonpartisan League Legislature passed various other laws which are interesting and

perhaps significant in character. Under Chapter 187 of the Laws of 1910 provision was made for the designation of county and municipal ~~official~~^{other} newspapers in each county in the State. At the outset the ~~official~~^{other} newspapers so in all were appointed under the Act with provision for their election thereafter at the general elections. It was required that all advertisements, notices, bills and other papers or court actions, copies of bills, bills or statements of banks and other corporations publication of which is required by law must be published in the local ~~official~~^{other} newspaper. The State Legislature would of course have control of State advertising patronage but that legislature actually gave to the State Government an exceeding important power in the designation of ~~official~~^{other} newspapers by reason of the value of such official status on account of the advertising revenue derived therefrom. Despite the advantage and opportunity to consolidate these powers which appointment as ~~official~~^{other} newspapers gave to papers which were friendly to the League during the eighteen months before the last general election publications endorsed by the Nonpartisan League and in some instances believed to be controlled by friends of the League were defeated last November in one third of the several paper elections. This fact affords striking evidence of the loss by the League of prestige and popular support. At the same time the election endorsed an initiated law which relieved private individuals of the necessity of advertising in the ~~official~~^{other} newspapers. The original newspaper bill is typical of the methods by which The Nonpartisan League has controlled the policies of the State and the channels of publicity and propaganda. This regulation of advertising is a special interest in amount of the chain of newspapers in which Mr. Daniels and a few of his associates have a controlling interest through the Publishers' National Service Bureau.^{*} In this connection a publication issued by the Independent Voters Association says:

"Never before in the history of the United States have a few hundred men, who have banded themselves together in a business venture for personal profit and satisfaction been able to get a majority of the voters of a state to approve a law that would give him a monopoly on the most important source of revenue for that particular business."

Two other measures which were proposed by the League and passed by the Legislature but defeated when referred to the voters are deserving of consideration. The first of these has become known as the Smelling Committee Bill which was adopted by the Legislature and approved by the Governor in December 1914. It provided for a committee of five members two members of the Senate to be named by the presiding officer of that body and three representatives of the House to be named by the Speaker for investigating conspiracies and conduct against law and order and government in North Dakota. This Committee was directed and authorized to examine and investigate on the written complaint of any person or organization that it is, as a committee, any department or public office of the State and all acts, efforts, attempts, transactions, proceedings and conspiracies to deviate or injure

the property, reputation, freedom rights or business of any person, corporation, association, company or group of persons in the State of North Dakota or any of the industries, enterprises, or utilities owned by the State of North Dakota or the credit of the State of North

* See page 11-12.

Dakota." The bill provided that "The Committee, or its duly authorized agent or agents, shall at all reasonable times have access to, for the purpose of examination, and the right to copy any documentary evidence of any person, firm, association, corporation, or any officer of the State of North Dakota, being investigated or proceeded against, and the Committee shall have power to require, by subpoena, the attendance and testimony of witnesses, and the production of such documentary evidence relating to any matter under investigation." Any member of the Committee was to be authorized to sign subpoenas, administer oaths and affirmations, examine witnesses and receive evidence. Under the bill, \$25,000 was to be turned over to the Committee to be expended on orders signed by the Chairman and approved by the Committee, no provision being made for vouchers or audit. The measure was viewed by the opponents of the League as a means of intimidation and the bill was defeated on referendum in the primary elections in June, 1920.

Opponents of The Nonpartisan League also professed to see a sinister purpose behind the State Sheriff Bill of 1919. Under this measure a State Sheriff was to be appointed by the Governor and given power to employ special agents. Moreover, he was placed in control of the county sheriffs and deputy sheriffs, who by the Act were constituted a State constabulary with the State Sheriff as the head. This bill, which also was defeated on referendum, may have been quite harmless but this much is plain that The Nonpartisan League from the time it attained power has added steadily to the number of State employees and filled many of the more desirable offices within its control by appointment of its friends and especially of persons who had had Socialist affiliations and in some cases had been actively connected with the Socialist party. It has been estimated that some 600 "new jobs" have been created since The Nonpartisan League secured political control of the State.

The Bank of North Dakota

In establishing a State bank the Nonpartisan League Legislature of North Dakota ignored the lessons which the unhappy experience of other States and other countries should have taught. No fewer than 16 States of the Union have experimented at one time or another in State banking with mixed results and today North Dakota is the only State in the Banking Bureau's list. It is unfortunate in some respects that the lapse of time should allow the teachings of experience; it is apparent that those who drafted the bill to create The Bank of North Dakota were familiar with the banking experiments of other States, inasmuch as certain sections of The Bank of North Dakota Act were apparently modelled after such earlier legislation. In almost every case, State banks in the United States have developed in political institutions and in some instances political action has been accompanied by fraud, debauches no heavy loans to taxpayers and sometimes to depositors serious impairment of capital and regulation of State banks. In some of the States the entry of the Government into the banking field was so disastrous and disgraceful that after the debacle State constitutions were amended to prohibit State ownership of or financial interest in any banking institution. The people of Missouri, for example, after experimenting in State banking attended their constitution to provide that "no State bank shall hereafter be created nor shall the State own or be liable for any stock in any corporation or joint stock company or association for banking purposes now created or hereafter to be created."

The banking field has a strange attraction for the "reformer" due probably to a frustration of the importance of banking in relation to public welfare and prosperity. Yet this importance makes all the more dangerous Government interference in a business where private enterprise has demonstrated efficiency and integrity and one which all experience shows the State cannot enter without subordinating sound business administration to considerations of political advantage or party expediency. The Bank of North Dakota is a new institution in which perhaps all the evils of State ownership and operation have not yet had time fully to develop yet developments during the nineteen months that the Bank has been in operation and especially charges made under oath before investigating committees of the Legislature¹ and the Independent audit of the Bank which was made possible by passage at the last election of an enabling initiative measure have furnished startling evidence of entangling alliances diversion of public deposits to finance State industries and direct or indirect use of deposits to assist the private or semi-private ventures of officials of The Nonpartisan

¹The Manager of The Bank of North Dakota recently instituted a charge of perjury against Mr. W. R. Benson formerly Mr. Benson a personal representative of a previous bank against Mr. Benson of whom that was made months ago but has not been brought to trial despite the fact that he accused has repeated his alibi over through his own newspaper and weekly has challenged press and prosecutor. His statements have not been disproved and he may stand as a most important witness given under oath before the investigating committee of the North Dakota House of Representatives.

larger or to favor political friends. The writer believes that while there have been educational transactions, the management of The Bank of North Dakota has lost at the most part of late, to the letter of the law, and whether or not recent changes are to substantiate a matter of relative small importance in the disaster which has befallen the banking organization of the State and the State itself because of disregard of sound banking principles.

DETAILS OF BANK REGULATIONS

The legislation by which The Bank of North Dakota was created and under which it still is operated vests control of the institution in the Industrial Commission. In addition to giving to The Bank of North Dakota authority to conduct its business of banking business, the Act prescribed the following regulations:

1. No more than one-half of the capital stock of the Bank may be held in trust for any individual, partnership or corporation.

2. All money must be deposited in single and sealed district funds, and funds of all kinds shall be deposited in safe-deposit boxes and all other parts funds shall be in the personal safe-deposit boxes of the Bank. Deposited in the Bank of North Dakota shall be kept in the vaults of the bank, except as the Act authorizes, the amount of the deposit to be kept outside of the vaults of the bank shall not exceed one-half of the amount deposited in the bank, and the vaults of the bank shall be open to examination at any time and from time to time by the Industrial Commission, and by a time of not less than one-half hour. Persons having interest of public funds are excepted from this rule, so long as such funds are deposited while no deposited.

3. The Bank of North Dakota may not have any branch, agency, subsidiary and similar interests, nor shall it The Bank of North Dakota any bank or agency, except of the Industrial Commission.

4. All deposits in The Bank of North Dakota are subject to the State and to the Industrial Commission.

5. Funds deposited in the bank in The Bank of North Dakota, or otherwise available, shall be kept in the vaults of the bank, excepting the amount of five hundred dollars kept in The Bank of North Dakota as reserve depository. It may, however, be deposited in another bank or clearing house, subjecting all funds to a period of ten days, and carrying a charge and may rediscounit paper accepted by the Industrial Commission as here provided.

6. The Industrial Commission is responsible for the safety of the funds of citizens of North Dakota and the manager of the Bank shall be at least a citizen and resident of North Dakota, shall not be less than twenty-five years of age, and shall be a graduate of a college or university. Both a regular and a legal education are required. Higher education may be granted, and he shall be examined and the amount of time so required and recommended. If the amount of interest charged on the funds deposited may be fifteen per cent, when there is a deposit of one thousand dollars or less than one or more than six per cent.

7. All State funds and savings accounts in North Dakota, coming from The Bank of North Dakota, shall be subject to audit and inspection by collectors and auditors, either state or local commissioners of public The Bank of North Dakota.

8. Deposits in The Bank of North Dakota in funds received in those the State are subject to ultimate control by the Industrial Commission.

9. Subject to general rule, The Bank of North Dakota may receive funds in either paper money, coin money, gold coins, bullion, or the products of bullion, or any other property, which may be deposited in the bank. It may make loans to individuals, corporations, partnerships, and associations, and to the State or to State or National banks, and such loans and credits each rules and regulations of the Industrial Commission may affect them, but it shall not make loans or give or credit to any individual association or person, and upon such

except that it may make loans to any individual association or private company which it sees fit duly recorded first mortgages on real estate in the State of North Dakota in amounts not to exceed one-half the value of the property so secured but the amount so paid secured by the Industrial Commission on its behalf because otherwise such is the State of amounts and record would give notice of the value of such other evidence thereof. It shall not however make any real estate loans for more than three per cent on the capital nor in addition thereto more than twelve per cent of the deposit. Additional funds that may be required for such real estate loans shall be provided from the issue of State Bonds as may be provided by law.

III. No mortgage loans on real estate shall provide for repayment on an annual basis plus on the annual interest sufficient to cover the charge on the loan, or a rate exceeding the interest rate on the last series of real estate trust bonds issued by the State of North Dakota. It is charge for payment of principal and interest due and owing to the Bank of North Dakota on the principal of the loan and the rate charged covering the interest rate on the mortgaged land. It shall attempt to be paid from the principal as distinguished above in not less than ten or more than thirty years. In case of crop failure which or losses by mortgage instruments to the amount of one-half all payments under any mortgage shall be deducted of the Industrial Commission by reason of the same year. The Bank of North Dakota is authorized to sell and assign any real estate mortgages when so need and the Manager of the Bank may endorse such and the without recourse. The Act provides that after assignment of each mortgage instrument of principal and a right to sell shall be made to the new holder to not more than one-half the amount for which it was theretofore owing which such mortgage has been after date of assignment. In other words the Bank of North Dakota agrees the holder to extend payment on mortgages even after such mortgages have been sold and assigned to a third party.

IV. The Bank of North Dakota is required to audit the assets of the Bank of North Dakota every alternate and report the results of such examination and submit galore to the Industrial Commission as soon as practicable and to the Legislature of Minnesota at its next ensuing session.

The Legislature Assembly appropriated out of the general funds of the State \$100,000 for the purposes of the Act with the provision that the Industrial Commission should out of the earnings of the Bank arrange to replace in the general funds of the State the amount so received. The capital of The Bank of North Dakota consists solely of bonds of the State of North Dakota in the sum of \$2,000,000. No new money has ever been put into the Bank on account of capital the institution was started by opening an account debiting Bonds to the amount of \$2,000,000 and crediting Capital in the same amount. The State is responsible for the payments of principal and interest on such bonds but the Industrial Commission is required to pay to the State Treasurer out of the earnings of The Bank of North Dakota such money as the Commission shall deem available to devote to the paying of such bonds and interest.²

RURAL CREDITS ARGUMENTS AND PLANS

It has already been stated that the original programme of The Non-partisan League of Non Partisan Political Organization League of North Dakota as it was called at the outset included Rural Credit Banks operated at cost. When they attained political power and were faced with the problem of implementing the pledge implied in their platform the League leaders decided to delegate this function to The Bank of North Dakota. Accordingly a bill was enacted providing that whenever The Bank of North Dakota should hold first mortgages on

²Recent evidence shows that up to December 3, 1921 The Bank of North Dakota had actually paid \$46,500 of such bonds.

real estate, securing unpaid mortgage loans in the sum of \$100,000 or more, the Industrial Commission could cause such mortgages to be assigned to the State Treasurer as security for State bonds which the Treasurer was authorized to issue in an amount not exceeding the amount of the outstanding loans secured by the mortgages delivered to, and in possession of the State Treasurer as above provided. An initial limit of \$10,000,000 was put upon the amount of bonds to be issued in this way. The bonds so issued must be turned over to the Industrial Commission for sale at not less than par value for cash, and the proceeds placed in the funds of The Bank of North Dakota. The Bank was expressly authorized to purchase any such bonds with any funds in its possession. Such was the League's rural credits plan. The Bank of North Dakota was to make loans on first mortgages on real estate these mortgages were to be assigned to the State as security for State bonds, and the latter were to be sold to procure funds with which to replace monies used by The Bank of North Dakota to make loans. The bonds were obligations of the State of North Dakota in respect of both principal and interest with the additional security of the real estate mortgages as collateral.

A circular issued by The Bank of North Dakota explaining its organization purposes, and progress, stated that the lack of compact communities made extremely difficult co-operation for buying and selling or for financing farming operations, that under these conditions private interests sometimes have taken advantage of the needs of the people to keep down the prices of farm products and consequently to advance the prices of the things the farmers had to buy and the rates of interest for farm loans, that after trying various remedies the majority of the people of the State arrived at the conclusion that the only permanent remedy lay in State ownership and control of marketing and crediting facilities—at least in the ratios necessary to stabilize market conditions and prices and the rate of interest on loans that so believing they elected in 1918 a State Governor pledged to provide State mills and elevators and a State system of credit and that The Bank of North Dakota is the institution that was created to serve the latter purpose, and that such Bank is designed to finance the other parts of the State industrial system, as well as to serve the needs of the people for credit for the carrying on of their principal industry and the business activities dependent upon it.

A statement issued on February 2, 1920, signed by the Director-General of the Bank, declared that

All the energies of the people, their faith and energy, and all their immense natural wealth are back of The Bank of North Dakota. The tangible resources of the State alone guaranteeing deposits in The Bank of North Dakota may be conservatively estimated at six billions of dollars. With the exception of the Federal Reserve System there will be no larger financial institution in the land."

The Director-General added:

The Bank of North Dakota will need all of its resources to protect the real values of property, to finance the handling of the important crops, and in general adequately to care for the growing industries of the State. It will need the support and co-operation of all the people as well as of all banks and financial institutions of the State. On its part The Bank of North Dakota does not propose to enter into competition with existing banks, or to supplant any part of the existing financial system, but to co-operate with them, to assist in their development and to co-ordinate all parts of the financial service of the State so as best to meet the needs of the people in the carrying on of their business and industry."

On August 16, 1920, the Director-general said:

"It would seem that bankers would do well to give careful consideration, not only to the business but to the wisdom of their opposition to The Bank of North Dakota. That the Bank has the power to protect and has been greatly discredited. I am not one of those who on the part of the bankers may recommend a change of the policy of the Bank such as my present advised depositors or other State institutions or such other arrangements as will enable the Bank to reach the people without requiring legislative assistance through agreements whose co-operation can be depended upon."

UNABLE TO SELL STATE BONDS

It has already been stated that the capital of The Bank of North Dakota consists of State bonds in the amount of \$2,000,000. Efforts to market these securities during the past year and a half or longer have been unsuccessful although Nonpartisan League officials and supporters blame the opposition for this difficulty. It is claimed that arrangements had been practically completed for the sale of the bonds when suit was instituted challenging the validity of the laws providing for use of the taxing power in the establishing of state activities in competition with private enterprises. Answer is made to this that the Supreme Court gave judgment in June 1920 holding the laws in question to be valid national law despite such fact that bonds have been issued since that time regardless of the unconstitutional legal status of the laws.⁴ The Bank succeeded in borrowing \$1,000,000 as a short term loan from the Merchants Loan and Trust Company of Chicago, on hypothecation of State bonds in the amount of \$1,200,000. The loan is due on March 15, 1921.

The provision in The Bank of North Dakota Act for compulsory deposit with that institution of all public funds aroused much opposition and criticism. Formerly officers charged with the administration of public funds deposited them in local banks which paid interest thereon at rates which were decided by agreement in each case. Sometimes deposits were obtained by the banks without interest but conditional upon the banks issuing warrants of the depositors during times when the latter were out of funds pending receipt of taxes or other revenues. The local banks in turn were able to forecast approximately the amount of public funds which would be in deposit during each season of the year and to make loans accordingly. The Bank of North Dakota legislation however entirely changed this system. The State constitution opened for business on July 16, 1919. On July 7 the Director General, acting under a resolution of the Industrial Commission, passed an order that all State county, township, municipal and school district funds and funds of all penal educational and industrial institutions and all other public funds be deposited in The Bank of North Dakota pursuant to provisions of the Act by the person having legal control of such funds on the respective dates scheduled in the order.

The interest rate on all deposits of public funds was arbitrarily fixed at 2 per cent on daily balances and 4 per cent on time deposits (banking funds). It is said that the local banks formerly paid up to 6 per cent for such money and public corporations in some instances actually have been losing considerable in interest by reason of the com-

⁴At the time the above was written it was not known that The Bank of North Dakota had disposed of \$20,000 of bonds up to December 1, 1920. The amount is, however, so small as to be almost negligible in relation to the Bank's requirements.

public legislation requiring their funds to be placed with The Bank of North Dakota at the lower rate. The Bank management has taken credit for thus establishing a uniform interest rate and has pointed out that "the smallest and most isolated school district however insignificant the amount of its funds receives exactly the same rate of interest as the largest and richest municipality." On this reasonable question, however, the equity of a policy which establishes the same rate for the large funds of a wealthy public corporation, which always maintains a substantial balance and an account which may be fairly steady throughout the year, as for the comparatively insignificant deposits of a small municipality or school district which has only seasonal funds. The Bank of North Dakota has admitted that there was some loss of interest to the depositors under the new order. An official bulletin issued on January 16, 1920, said:

The Bank is paying interest on these funds at just about the average rate that the public corporations over the State received before The Bank of North Dakota was organized. It is true that some public corporations received a higher rate of interest than the Bank now pays but many received less and some never have received any interest on their funds. Through a questionnaire sent to banks throughout the State it has been ascertained that the average rate paid on public funds was close to two per cent. As that is the rate now paid by The Bank of North Dakota there is, on the average no appreciable loss to the public corporations.

ARBITRARY INTEREST RATES FIXED

Assured of all funds of the State and of judicial subdivisions of the State at 2 per cent interest and the Industrial Commission fixed for The Bank of North Dakota rates of 4 per cent to be charged on daily balances of redpositors and 6 per cent on time deposits, thus leaving to the State Bank a margin of 2 per cent to cover the cost of handling and provide a profit on the transactions. It is charged by opponents of the Bank that this 2 per cent margin on public funds has been responsible principally for the profit which the Bank claims to have made.

In Bulletin No. 8 of The Bank of North Dakota issued August 15, 1920 the following statement appeared:

Public funds received from any locality are redeposited in banks within that locality to the extent of the local needs therefor but where it is apparent that there is sufficient or an excess of money in the home bank of any district to meet the current needs of industry and business funds deposited from such districts may be redeposited in banks in other localities where there is a greater need for money.

In so far as public funds have been merely redeposited in banks of the localities in which they originate there does not appear to have been sufficient justification for the two per cent margin either public corporations have not been receiving as large a return from The Bank of North Dakota as they could have obtained from local banks for direct deposits or the banks have been obliged, by reason of the higher cost of money to them, to charge higher rates on loans to their customers. There may have been some offset, however, inasmuch as The Bank of North Dakota claims to have been able to maintain such redeposits on a somewhat more stable basis than would have been possible if the money were deposited directly. This has been possible by using money from districts where deposits have been heavy, to provide, or maintain redeposits in other localities at times when deposits from the latter localities were reasonably light. Indeed, it would appear that some

institution such as The Bank of North Dakota if divorced from political control and influence, could serve a useful purpose by saving the State to some extent from the disadvantages of the system of small independent local banks. In Canada under the branch banking system surplus funds, savings, etc., from one district are made available for loans in other sections. Money is highly "mobile" in the Dominion and quickly responsive to legitimate demands for loans. Savings, for example, from the industrial districts are used in large measure for improving purposes. The branch banking system in this way makes capital much more fluid and distributes funds in proportion to the need for them. Under the unit banking system capital necessarily is less fluid and local funds to a much greater extent have to be used locally because of the sheer lack of organization for loaning them elsewhere. Before the establishment of The Bank of North Dakota, the State banks in North Dakota transferred any surplus funds to banks in the larger centres principally Minneapolis, St. Paul and Chicago. The banks in these places loaned considerable money to correspondent institutions in North Dakota but, in the absence of control such as the parent Canadian branches have over their branches, the organization was far from providing that ready flow of available funds which is a feature of the Canadian banking system.

GRAVE CRITICISMS OF LEAGUE ACTIVITIES

It is difficult to form an exact judgment as to whether The Bank of North Dakota actually performed any real service by making surplus funds from one district available for loans where the latter were in greater demand.¹ Opponents charge that redepsoits in The Bank of North Dakota have been influenced largely by political pull. It is alleged moreover that control of redeposits of State funds has been used by League officials as a lever to secure rediscounts of the paper of private or semi-private projects evidence which will be quoted in the pages following would seem to prove that there is considerable basis for the charges. It is apparent too that control of redeposits has been employed by The Bank of North Dakota to some extent to force the use of that institution as a reserve depository. Under an "Order" issued July 3, 1924 The Bank of North Dakota invited the deposit of a portion of the reserves of all State and National banks and other financial institutions within the State on and after July 12 of that year. The order continued:

Deposits to be made by banks in North Dakota with The Bank of North Dakota are to be entirely voluntary but should be presumed to be proportionate to the deposits of other factors which will be asked for by depository banks and should be along the line of such its present relations as will best serve the financial interests of the whole State and of all its financial institutions.

In November 1920 an enacted law was passed relieving public corporations, other than the State itself from legal obligation to deposit public funds in the State Bank. In an endeavour to retain such deposits the Bank increased the interest rates payable by it on balances. A circular issued on November 16, 1920, to treasurers and governing boards of public corporations announced that the enactment of the recently enacted laws places The Bank of North Dakota where it

¹On the contrary evidence indicates that deposits from some of the poorer districts went less to "friendly banks" or other persons and used indirectly or part at least to finance League or semi-League objects.

now must to some extent enter the competitive field with the State and National banks in the State. The latter continue.

Heretofore the Bank has placed money with State and National Banks at rates of interest at which each bank could effect its needs in their several communities at a profit. The Bank has charged 4 per cent on its deposits in banks and 6 per cent on its redemptions from banks. It appears now that The Bank of North Dakota must charge its customers and those it no longer lends to banks an equivalent to 4 per cent or a redemptions 6 per cent, and for that reason it is in position to increase its interest on deposits. Furthermore it appears that the operations of the Bank on its paper have gone during the latter part of year did not satisfy the group in control of the Bankers Association and there appears to be a demand for the Bank to pay a larger rate of interest, not that it is entering upon the world out of its operations.

Accordingly, the Bank advanced the interest payable by it on its deposits from the uniform rate of 2 per cent on demand deposits and 4 per cent on savings funds to a sliding scale. The new rates effective from December 1, 1920 were as follows:

(a) Banking of demand deposits over \$1,000. Treasurer on which the balance is not permitted to fall below \$200 during the month 2 per cent

(b) such deposits which do not fall below \$200 2½ per cent

(c) night deposits which do not fall below \$200 3 per cent

(d) savings funds remaining on deposit more than three months and less than one year 4 per cent

(e) savings funds remaining on deposit one year or more 5½ per cent computed and reduced semi-annually on January 1 and July 1

The sliding scale is working on deposited less than three months or on saving funds withdrawn after the new annual interest date the same is at demand deposits or like amount.

The change would appear to be an indirect attempt on the part of the uniform rate irrespective of the amount of the deposit or the minimum balance held was not entirely fair or in accordance with business practices. The increase in rates has been of practically no effect in retaining public funds. Seasonal requirements have been responsible for some withdrawals but these by no means explain the poor situation which has developed.

The endorsement by the electors of the initiated law requiring public treasurers except the State Treasurer from legal compulsion to deposit in The Bank of North Dakota all public funds under their control threatened the State Bank with loss of a considerable part of its deposits and placed upon it the necessity of making up for such loss from other sources. Renewed efforts have been made to dispose of State of North Dakota bonds in the money markets of the Eastern States but without success. League officials have declared that local underwriters refuse to buy the bonds the State would attempt to sell them to the ultimate investors and literature has been distributed in the past few months urging citizens to invest their savings in State of North Dakota bonds in order to assist in financing State industries. Bonds are being offered in denominations as low as \$25 and the literature soliciting subscriptions from the citizens of North Dakota. In using the workers of the State contains unsupported and almost hysterical allegations that certain interests are robbing both the farmer and the consumer and blocking the regular financial channels so that the State cannot reach the great class of investors those who work and save and want to put their savings in enterprises that will better the conditions of all the people. The latest advices are to the effect that the State Bank will compete with the private banking institutions for deposits by individuals or other private interests. It is said that the Bank proposes to solicit private deposits through the agency of friendly private banks one or

more in each county, which would be authorized to accept deposits on behalf of the State bank the same interest rates being paid on such deposits as are now paid on public funds. If this course be adopted there appears to be great prospect of success until the present tangle is unravelled.

The Nonpartisan League has made much of the fact that before the establishment of The Bank of North Dakota the banks carried their principal reserves outside the State either in the Twin Cities or Chicago. It was represented that such practice was paying into the hands of Big Business and the Moses Trust and that the interests of the people of the State were so injured. It came somewhat as a shock then, to some of the League supporters to note that The Bank of North Dakota in April 1921 had more than \$100,000 on deposit outside the State. Any suggestions of possible graft as the explanation of placing and holding of such large deposits outside the State have been thoroughly at least by responsible persons in Bismarck and Fargo, but there does not appear to be any proof of wrongdoing in this connection nor does any need to be assumed. Inasmuch as The Bank of North Dakota is a reserve institution it is under very great responsibility to keep a large proportion of its resources in liquid form. Obviously the Bank could not deposit this money in banks in the State and depend upon the judgment of some local State banking institutions to keep the resources in such liquid form that deposits could be withdrawn as required without causing serious inconvenience and perhaps disaster. There can be little doubt that The Bank of North Dakota has shown good sense in keeping substantial deposits outside the State in institutions in which the money can be retained when required and that a portion of the Bank's policy in this respect is unquestioned. It must be emphasized that the local banks to a large extent are making loans to agriculturists which are by no means as liquid as commercial loans by banks in metropolitan areas. Following criticism of its policy of making deposits outside the State of North Dakota, the Bank commented last August 10, 1921 as a separate item in its monthly statement money due from correspondent banks outside the State. The amount under this heading is now very small and indeed of any criticism ought to be made of the policy of the Bank in keeping money on deposit outside of the Bank is that too little rather than too much was so held as a liquid reserve against demand obligations.

STATE BANK STATEMENT

The Bank of North Dakota issues a condensed statement of its condition on the fifteenth day of every month and the latest such statement that of February 15, 1921 is as follows:

RESOURCES

Bonds United States, State and County	\$1,639,751.22
Loans to Banks	2,444,941.18
Loans and Warehouses Receipts	70,524.98
Loans to Public Institutions and Departments	1,121,000.00
Loans on Real Estate	2,642,013.92
Interest Earned (net) and Uncollected	162,363.03
Partners and Officers	52,029.00
Due from Non-Depository Banks in North Dakota (Reserve)	4,929,843.41
Due from Correspondent Banks outside of North Dakota	105,619.26
Cash Items due from Banks in the State	231,304.07
Cash Items due from the State and Public Corporations	30,236.01
Cash on Hand and Cash Items	49,583.12
Total Resources	\$14,234,917.49

LIABILITIES

Capital	\$ 2,000,000.00
Surplus	40,000.00
Reserve to Repay Legislative Appropriation	24,106.87
Reserve for Depreciation on Furniture and Fixtures	10,583.02
Net Profits, 1920	121,583.17
Net Profits, 1921	8,098.54
Appraisal Fees	5,513.73
Individual Deposits	245,156.54
Public Deposits, Savings Funds	3,703,766.07
Public Deposits, General and other Funds, State & County	2,641,978.21
Public Deposits, General and other Funds, County, City, Township and School Treasurers	3,821,835.15
Due to Depository Banks, Reserve	759,379.00
Collection Items	42,677.18
Bills Payable	1,000,000.00
 Total Liabilities	 \$14,224,911.48

Total Liabilities

The above statement requires little explanation. The first item on the Resources side consists for the most part of the State bonds which were issued to provide capital for the Bank but are still unissued. The item 'Loans to Public Institutions and Departments' includes \$245,1000 in loans to the State Home Building Association secured by 30-year amortized real estate mortgages, and about \$850,000 loaned to the State Mill and Lumber Association on account of the construction of the State mill and cannery at Grand Forks. Loans on real estate are reported at \$2,862,035.92 and reveal the extent to which the State bank has met the demand for rural credits. These loans are on 30-year amortized farm mortgages.* There is good authority for the statement that approximately 90 per cent of the amount was used to pay off existing loans held outside the State so that the Bank's activities in the rural credit field have resulted principally in sending out of the State between two and three millions of dollars of tax funds to discharge mortgages previously held by private interests. This money cannot be replaced except by sale of long term bonds and such sale the Bank has not been able to effect in any important amount.

The February report of the State Bank showed 'individual deposits' to the amount of \$245,156.56, the origin of which was not stated. The Bank has not solicited deposits from the public in general, and the item may refer to certain labor unions' funds. Some time ago a resolution was discussed by the Chicago Federation of Labor proposing that the Federation recommend to its constituent organizations that Union funds on deposit in private banks be withdrawn and deposited in The Bank

*Rule No. 3, issued by The Bank of North Dakota to applicants for real estate loans, provides:

'Loan will be made for 30 years to be payable on a 7 per cent basis interest to be 8 per cent. The payment of 7 per cent of the original amount of the loan will be required annually as an annual instalment on the loan. The 7 per cent annual instalment is sufficient to pay the interest at 8 per cent on the unpaid principal, and to pay an amount sufficient to retire the principal of the loan in 34 years. Any instalments remaining unpaid at the end of the 30th year are to be included with the 30th annual instalment so that the loan will be retired in 30 years.'

*Under this amortization plan \$293.60 will have to be paid at the end of the 30th year for every \$1,000 of principal, or more than one-fourth of the entire principal of each loan provided all previous instalments shall have been paid when maturing, and no extension of time granted as permitted at the discretion of the Bank in case of crop failure.

of North Dakota but such action appears to have been deferred. The League newspapers have advised farmers and workers to adopt the settled policy of keeping their money exclusively in their own banks. Public funds on deposit in the Bank on February 15, 1923 amounted to \$9,867,579.43 as compared with \$13,579.47,730 on January 16, 1920 and with a maximum of \$15,294,779.40 on March 15, 1920 after the close of the tax collector's office of * Since the initiated law became effective on December 2 ordering the public treasurers to all on or before noon on the 31st day of December to turn over to the State Bank of North Dakota the amount of depository bank funds in the State Bank of North Dakota or else withdraw the State Bank has lost funds in public deposits. Withdrawals from January 1 to February 15, 1923 reduced deposits by \$1,710,214 despite the restrictions imposed by the Bank. Public treasures throughout the State, including those who helped on were adherents of The Non-partisan League have been seeking to recover the money from the State Bank but until very few have made new deposits. Indeed so heavy are withdrawals by one that the Industrial Commission adopted a resolution directing the Bank to release to him a balance drawn by the customer who has other funds anywhere available. The Administration also attempted but without success to force local treasurers to deposit in The Bank of North Dakota by threatening to terminate safety bond protection through the State Building Fund to public officials who placed public funds in private banks.

UNABLE TO MEET OBLIGATIONS

The Fargo Forum on its issue of February 12, 1923 summarized the North Dakota financial situation with particular reference to the State Bank, as follows:

"State banks are in a bind because suddenly the Bank has established a rule that no one's safe, box or vault can be used for the maintenance of the State bank. The able and experienced men now in the State Bank have been warned to make their resignations as soon as possible."

"The State bank cannot stand this long. The Deyerle report is unable to function in another state bank with the same conditions as on The Bank of North Dakota or the Bank is not in position to meet demands upon it unless early to finance other banks from its vaults or liquidate its assets."

"The State Bank Association has been applied to by the fact that The Bank of North Dakota has had by the seizure from bank accounts, no legal warrant issued. The State Deyerle report of Nov. 1922 mentioned on 1923 are using up all the State Bank savings there being no organization to be paid on their order when the money is available."

"Bankers in regular order say they have been doing business with The Bank of North Dakota and are being threatened with destruction of their safe or vault property. A demand made upon them by the State Bank collectors are being despatched to banks throughout the State. Banks immediately compliance with the State Bank's demands, or close their doors."

"In view of circumstances, it is known to have districts of fact the finances of all government bodies in the State have reached a state of chaos. Many politicians and others have large sums held up in the State Bank on which they are unable to realize at short notice and it has become necessary for local banks to finance the official business of their communities."

"The Bank will be unable to pay its own drafts and draft for \$10,000 given by it to a Research Bank to cover clearance items on the Research Checks. This obligation was not paid for a week after its issuance. The State Bank has been eliminated from membership in the Research Clearing House Association."

*State taxes in North Dakota are due December 1 and become delinquent if not paid by March 1 of the following year

It has resulted North Dakota's situation caused her position upholding all the State's guarantees without market value it has added to the cost of government a tremendous sum, the money expended by the Bank in holding an enormous amount that he is unable to put into cashed in at the bank and not reduced in the State for reason of high interest demanded from the small business man.

Several days ago the same newspaper said "Almost anything in the form of a possible statement is awaited as to much more elaborate than these claims. Payment has been delayed as long as possible, but the depositors in The State Bank since \$2,412,000 are reported to be held up. The Bank's cash position has been reduced to \$100,000 which is to have been marked down for each of us. In all cases the same percentage due to the banks' losses has been retained. The loss of large had \$1,000,000 reported in The Bank of North Dakota and a check for \$1,000,000 was issued to the banking friends and interest loans to the State and Federal. It was returned five days later unclaimed and used. When following the report deposits amounted to over \$1,000,000. The Bank of North Dakota has been under writing to the other banks to be repaid or paid to us. In order to prevent the State from getting out of sight there was a movement reached the State to reorganize the State Bank and other organizations in the State have gathered together at The Bank of North Dakota to form a bank. I understand that an application was filed with the State Department regarding the formation of another State bank. Various efforts have been made during the past three months to meet all the difficulties have been delaying the formation of a separate bank and in many cases the State's share has been omitted in part or must be. In just a claim against such balances as the amount may have no bearing with The Bank of North Dakota. In this instance my deposit balances in the State Bank are being liquidated. We have districts and municipalities also have sections of the cities of the county a chance to gain their money by checks drawn on The Bank of North Dakota. A deposit slip from Washington N D., dated February 21, 1921, says:

A copy of the above is herewith forwarded to you, calling your attention to the condition of banks of the country and your suggestion to the appropriate State Board of Control on the condition of the country. The only true Republic in Europe is a paper money. Checks on The Bank of North Dakota will be cashed in time of need and those who have been share of any funds. Representatives of the people of the existing banks have been present to sign on The Bank of North Dakota.

I repeat again, The Bank of North Dakota is doing its best to tragic an effectively solvent position but the right hand gets in the left hand goes that the obligation today is mostly covered with the estimated obligations and as a responsible trustee nothing has gone to date.

The practical existence of The Bank of North Dakota has caused a serious breakdown of the State tax collection system. More than \$7,000,000 has collected in taxes from farmers to pay taxes levied in 1919 and this amount was deposited in The Bank of North Dakota. Banks throughout the State have purchased from their right and left overstate warrants issued by the State Treasurer and expected to be able to cash them when the tax receipts were available. The practical end result of the small local banks is indicated in the following extract from a letter written by a bank at Hamert to The Bank of North Dakota:

The same simple. We have not the ability to agree. It goes well that we can't have warrants are good as can possibly be done in these shapes. But before that we can't do nothing. The State Bank is the place where a lot of us get our checks. Well, we are Bob Jim and we have only \$10,000 bills patriotic as please do not charge us and we will have a good shape. We have covered the worst and if we can't have payment and the warrants are cashed we will be fine and dandy."

DEMAND FOR PUBLIC AUDIT REFUSED

Officials of The Nonpartisan League claim that the State Bank is insolvent. What they mean is that the assets of the institution are sufficient ultimately to pay all claims without loss. They attempt to explain the present situation by saying that private bankers have over extended credit and are unable to repay the State Bank some \$5,000,000 of demand obligations in account of redemptions. But surely it is a new theory of theirs that a trustee of public funds liable to immediate repayment upon demand shall be held not responsible to his or her funds those funds that he cannot withdraw them at all? The action of the State Bank last year in keeping large deposits outside the State was an admission that the judgment of the seven hundred local State banks could not be depended upon to keep their loans in liquid form so as to ensure prompt repayment on demand. It is claimed that the Bank has made a net profit to February 15, 1921 of \$1,297,917 after putting \$40,000 to surplus account. This appears to be upon the assumption that the institution will realize the full par value of all outstanding loans and redemptions. The report of the Industrial Commission says in this connection:

The obligations of State banks are created by the customer's fund withdrawal of accounts also by the general needs of the bank itself and by the deposit户户 of stockholders. While it is possible that the Currency Fund may not be demanded as to meet all of its needs, it is reasonable to assume that it will earn 5 per cent interest, and we know that the amount is guaranteed. And since the rate of return is high as the highest rate charged by the Bank of North Dakota it would seem that the claims against the Currency Fund are adequately secured.

Deposits in National Banks are secured by indemnity bonds and are expected to bear 5 per cent interest until paid.

The former State Auditor who was defeated in the 1920 elections, was denied permission to examine the affairs of The Bank of North Dakota. He instituted legal action but the Supreme Court of the State held that the examination of The Bank of North Dakota was not a part of the duties of the State Auditor. In the November 1920 elections, a proposed law initiated by the Anti-League voters and requiring that the State Board of Auditors shall once annually examine the accounts, books, vouchers and funds and ascertain the assets and liabilities of all national institutions and make public the results of such examination, was endorsed by the voters became effective December 2 and an examination has been made of The Bank of North Dakota as of December 1, 1920. The audit report showed that:

A sum \$2,407,443.24 loaned to banks no less than \$1,147,807.25 was past due on December 3.

A sum \$105,732 loaned to elevators, packing companies, and individuals upon warehouse receipts and storage tickets \$69,122 was past due.

C. The State Mill and Elevator Association, Home Building Association and Industrial Commission were indebted to the Bank in the amount of \$822,716.72.

D. That of a total of \$33,074 due to the Bank as first payments on farm loans to December 3, no less than \$10,353 remained unpaid on that date.

E. All the farm loans negotiated by the Bank the total to December 3 was \$2,500,000 were made from capital and current funds of the Bank.

I. The Scandinavian American Bank, of Fargo, had liabilities to The Bank of North Dakota of \$228,974.71, redemptions, \$178,823.51, loans \$25,000 unpaid drafts, and \$11,327, cash items or cash letters. Thus total of \$444,127.42 was partially offset by a reserve deposit with the State Bank of only \$10,108.26. The combined capital and reserve of the Fargo institution amounted to only \$60,000.

G. Eight other banking institutions in Fargo with combined capital and surplus of \$1,512,000, had liabilities to The Bank of North Dakota totalling only \$110,519.86, which was offset by reserve deposits in the State Bank of \$44,801.57. In other words, the Scandinavian American Bank (capital and surplus \$60,000) had a net liability to the State Bank of \$44,019.14 while the eight other Fargo banks (combined capital and surplus \$1,512,000) had net liabilities to the State Bank aggregating only \$66,718.29.

H. At least 35 banks had liabilities to The Bank of North Dakota in excess of the total of their capital and surplus and reserve deposit with the State Bank.

I. In the Donnybrook State Bank, which had been closed before the audit was made, The Bank of North Dakota had outstanding redeposits in the amount of \$72,534.31 and loans \$21,000. The liability of \$93,534.31 was offset by reserve deposits of \$779.50. The Donnybrook bank's combined capital and surplus was only \$26,400.

J. The Security State Bank, at Theodore, with capital of \$15,000 and surplus \$5,000 had liabilities of \$67,574.46 to the State Bank while the Deering State Bank with capital and surplus of \$40,000, had a liability to The Bank of North Dakota of only \$8,205.71, redeposits.

K. Of approximately \$17,000,000 outstanding as advances from the State institution to all the banks, no less than \$2,652,296.40 was represented by advances to 39 banks. About one-fifth of all the public money loaned or deposited in The Bank of North Dakota in the private banks was in less than one-eighteenth of the banks which were doing business with the State Bank.

L. Public money on deposit by The Bank of North Dakota with closed banks on December 3 totalled \$419,473.27 while the combined capital and surplus of such banks was only \$561.100.

PRESENT BANK SITUATION

The report appeared to show that certain banks, with some of which prominent supporters of the League were associated, had been especially favored in respect of redeposits and advances. There can be little question that the general situation was known to the State Bank Examiner. There is no reason to doubt his personal integrity but his position was a most difficult one. He was a candidate for election as Treasurer of North Dakota in 1916 on the Socialist ticket and was appointed to his present office by the Governor of the State. He is a supporter of the Nonpartisan League Government, with which his own interests have been intimately related. The former Attorney General of the State has referred to him in a recent issue as a protector of first class crooks."

A second audit was submitted to the Legislature on February 1, in the form of a report from the Industrial Commission. The latter admitted that out of \$2,732,813.63 in bills receivable by the State Bank, payment of more than one-half was past due, but the situation was

explained as due in part to deliberate policy in carrying paper past due instead of renewing, on account of financial conditions in the State. It was claimed that the paper was well secured and that the unpaid portion in effect represented demand assets. The affairs of The Bank of North Dakota and the State industries and departments have been under review of an Audit Committee of the House of Representatives and a similar Committee of the Senate and considerable information has been adduced. As in February 16, 1921, the situation appeared to be approximately as follows:

Current trust money used by The Bank of North Dakota for loans to State industries or departments or for 30 year loans on real estate and now represented by "frozen" assets

Loans to State Mill and Elevator Association approx-

imately . . . \$850,000

Loans to State Homebuilding Association . . . 285,000

Loans on Real Estate . . . 2,882,086

.

\$4,017,086

To the above amount ought to be added—

Redeposits in insolvent banks, about . . . 8725,000

Loans to banks now insolvent, about . . . 500,000

.

\$5,242,086

The State Bank is making some progress in its efforts to liquidate its assets. Loans to banks were reduced from \$2,607,418 on January 15 to \$2,464,041 on February 15. Redeposits in solvent banks were reduced by approximately \$1,200,000 in the month, while The Bank of North Dakota released demand deposits by public subdivisions of the State in the amount of a little more than \$1,000,000 while the State Treasurer's demand deposits in the Bank were reduced by more than \$500,000. The outgo of money is apparently more than offsetting the receipts of current funds by withdrawals of redeposits, liquidation of loans, etc. The State Bank apparently has been making every effort to provide current funds with which to pay off the Chicago loan of \$1,000,000, due on March 15. If The Bank of North Dakota should default in payment, and if the Chicago institution should exercise its right to sell at any price obtainable the North Dakota State bonds hypothecated as security for such loan, the credit of the State would suffer still more, and the opponents of the Nonpartisan League would gain a powerful campaign argument.

BANK FAILURES NUMEROUS

A conference of members of the North Dakota Bankers' Association was held November 30, 1920, to consider ways and means of relieving the banking situation in the State, the situation having become exceedingly serious and failures numerous. Such conference appointed a special committee to meet with officials of the Government on December 7, 1920. On the date mentioned, a mass meeting of bankers and State officials was held at Bismarck at the invitation of the State Administration. At this session representatives of the Administration set forth that, owing to the adoption of the initiated law permitting deposit of funds of counties, townships, school districts, cities and villages in banks other

than The Bank of North Dakota, unusual and heavy withdrawals were being made upon the latter, compelling it to make, in turn, unusually heavy withdrawals from banks in which it had redeposited such funds that these local banks were unable to respond and that much distress was and would be occasioned as a result of this situation. The meeting adopted resolutions recommending that public treasurers make withdrawals from The Bank of North Dakota only to meet current expenses and that they co-operate with officials of The Bank of North Dakota in arranging for the withdrawal of such local funds in an orderly manner and with the least possible disturbance to the finances of the State. At the same time the Administration asked for the co-operation of the bankers in effecting the sale of State bonds in substantially the following amounts:

Farm Mortgage Bonds	\$3,000,000
Bank of North Dakota Bonds	2,000,000
Mill and Elevator Bonds	2,000,000
Home Building Bonds	250,000

There was obvious necessity for the sale of at least a large part of such bonds, in order to replace current public funds which The Bank of North Dakota had placed in long time or permanent investments, and a resolution was adopted pledging the members of the North Dakota Bankers Association to aid in efforts to dispose of the securities. A joint committee of bankers and representatives of the State was appointed to aid in carrying out the resolutions.

At the meeting of the North Dakota Bankers' Association on December 14, 1920, another committee was appointed to confer and co-operate with the joint committee appointed on December 7. Then followed a series of conferences the results of which have been summarized by the committee itself as follows:

"On the main point, viz., the sale of State bonds, your committee investigated every potential market negotiated with many bond buyers and determined according to the best opinion and judgment of its members, that such bonds could be sold at this time and at substantially the rate provided for by the Industrial Commission as well as the conditions under which these sales could now be made."

BANK LIMITATIONS DEMANDED

On January 5, 1921, the Bankers' Association committee attended a conference at Fargo, at the invitation of the Director-General of The Bank of North Dakota. A preliminary conference disclosed that the Industrial Commission had no plan to propose and had no prospective sale of State bonds under consideration. The committee of the North Dakota Bankers' Association then submitted a definite proposal. The committee prefaced its offer with a summary of the situation, pointing out that the most important and immediate question seemed to be the sale of State bonds that the bankers of the State had earnestly endeavored to assist in the sale of such bonds, but so far without success, and that the State Administration had also been unable to dispose of these securities. The committee stated, however, that it had "ascertained the conditions under which these bonds could now be sold by them." With those conditions before them the bankers offered to undertake to sell \$3,000,000 of farm loan bonds, as well as the balance of the \$10,000,000 authorized as reasonably needed and as the market would

about \$2,000,000 of State mill and elevator bonds to complete and put in operation the Central Falls mill and elevator, \$250,000 of House Building Association bonds, \$1,000,000 of Bank of North Dakota bonds. The Committee explained however that in order to bring about such action would be necessary on the part of the Administration.

The British and American scholars have also made a number of important contributions to the study of the history of the Roman law.

The purpose of the savings account is to have a permanent fund that can be used for medical expenses during the retirement period. Higher quality care resulting from greater health is one of the major benefits of having the right kind of insurance for retirement planning. After that provision is made, the savings account should be placed in a low-risk investment such as a money market fund or a certificate of deposit.

It is to be regretted that the Bank of India has not adopted a policy of giving preference to its subsidiary banks. It has much more important work to do in the country than the Bank of Baroda and the Bank of Maharashtra. It has to take over under the government scheme those large enterprises which are not able to stand on their own feet. The success of these enterprises might be assured.¹²

These resolutions were further supported and the following is the State Association resolution on the following extracts from the report of the Committee of the North Dakota Bankers' Association to the general body:

Resolution Condition 1 - Proposed to limit imports from outside states or countries to the same article which The Bank of North Dakota has originated and can furnish and to the Bank of North Dakota to receive payment thereon and give the same credit as it gives to its own customers. This resolution was introduced by Senator John C. H. Smith of North Dakota.

The consequence of the above-mentioned measures was that some organizations with their headquarters in the United States which believed that it was immoral to manufacture alcohol and to give it to other people, organized themselves to protest against the sale of the liquor in their country. The result of this protest was the adoption of the禁酒令 (Prohibition Law). This law prohibited the manufacture, sale, and distribution of alcohol in the United States. It was passed by Congress in 1919 and became effective in 1920.

The Board also recommended that the State Board of Education make arrangements for the immediate interchange and dispensing of all State Board documents during the period immediately following March 1st when such would be required by law.

most of what distinguished him, except of course his remarkable command of logic and logic, the agent. The logical faculty affected not the *form* of the mind, but the *content*, the material substance of the thoughts, the *material* of the reason. From this last result sprang others, becoming by and by more and more numerous, and at length filling up the entire mind, so that it became all one mass. Now the head, the instrument, had been a mere vessel, holding the power, until the Reason of Power. It had a function, but it was not itself possessed of any power. This was now changed. The material substance of the thoughts, the *material* of the reason, had become a single, great power, which, by its own force, could move the world.

**Illustration 10. Conditions of
Indirect Taxation and Implications of
Capital Flows for Tax Planning in the
U.S. Context.** The following section
discusses the implications of the
international tax system for U.S. tax
planning. It highlights the opportunities
and challenges presented by the
international tax system for U.S. tax
planning, and provides recommendations
for how U.S. tax planners can best
take advantage of these opportunities.
Opportunities

Habitat The *C. c. cinctus* is found in the coastal areas of the northern and central California coast, from the Oregon border to San Luis Obispo County. It is also found in the Channel Islands.

The author wishes to thank the members of the Department of Mathematics, University of Alberta, for their help and support.

The following is a list of the names of the persons who have been identified as having been killed or missing during the period from January 1, 1945, to December 31, 1946. The names are listed in alphabetical order by last name. The names are listed in alphabetical order by last name.

REPLY TO CONSIDER LIMITATIONS

The formal reply to these proposals was issued by the Industrial Committee on January 8 and was typical of other League propaganda

After expressing appreciation of the interest shown by the Legislature of the Bankers' Association the Committee said:

The proposed law leaves against bankruptcy to be considered by the Committee but he would like to call your attention to the part of the financial statement presented by Mr. Fonda which shows the debts the public has on the individual partners of the State of North Dakota and requesting a committee of the congressional powers of the State to manage these affairs and to prevent the debts of individual debtors from being suspended and declared for the purpose of a reorganization plan. The time has now come at which the public debts have become so great that they must be discharged or the State will be unable to manage its other affairs. Every State in the Union guarantees a certain amount of government underwriting and guarantee. The officers of the State have brought about for the people here an independent organization of accountants. Right now we prefer not to submit a reorganization plan but we do believe that this group of men has enough knowledge to understand and analyze the situation and propose one or making the laws for the protection of the State's greatest creditor in the creditors listed.

The Bankers' Association indicated it would support a reorganization of the public debts in this manner.

We are pleased that on the next letter will you re-open those bonds with us. First, is the bond money available in the United States Mint now? If so, and with approval of the State and members, a meeting of the holders of these bonds may be held on the present financial and agency power.

Although the bankers' offer was rejected by the Administration, it is reported that Mr. Fonda's proposal favored putting The Bank of North Dakota in order to avert complete disaster to The Nonpartisan League organization and programs. Apparently Mr. Fonda called for an immediate dissolution of his party by the League's caucus but he is said eventually to have advised a majority of his associates that some compromise organization probably imperialist. According to negotiators, some negotiations were instigated with leaders of the Twin Cities and conferences were held at Minneapolis between representatives of the North Dakota Administration, the Nonpartisan League and leaders of North Dakota and Minnesota and St. Paul. Mr. Fonda is said that he was in a position to make effective any arrangement upon which the conference might agree but that all leaders of Minnesota and Chicago were unwilling to undertake the role of the State's banks. Such unwillingness has been attributed to both as to the validity of the bond issue and the fact that the bonds already have been offered in Chicago and New York by irresponsible individuals and have been distributed among investors. Negotiations have been suspended but evidence is not lacking that officials of The Nonpartisan League have come to realize the seriousness of the situation and would make important concessions. There now appear to be two factions within the League itself one of which is headed by Mr. Fonda and is willing to go far in compromise and the other with Mr. Lemke as leader which is reported to oppose any concessions. Nevertheless the advances which have been made would seem to indicate an admission that The Bank of North Dakota must be liquidated and reconstituted if at all, simply as a future credits institution. See Justice J. J. Robinson, President Officer of the State Supreme Court in a letter published on February 24, 1931, referred to The Bank of North Dakota as follows:

The one step of State, here in a western state, the State Bank. There is now a mighty company in the west and the step is likely to be taken unless enough is done to thwart it. The same result without any more of its own, has passed on bankers and gamblers who are outliers of the public money from their country and state of the state. He has put a large part of the money into long term loans on land and into buildings mills and structures. Now the depositors demand their money and there is no payment funds in several millions dollars and he will neither take out his nor go before as the chances are

he will have to be shown into the way. Fortunately at the State Treasury department there appears to be a sane mind, with capacity sufficient to realize and appreciate justice.

GAMBLING ON GRAIN PRICES

The most partisan critic of The Bank of North Dakota does not contend that it has been guilty of even principally responsible for the large number of bank failures which have occurred in that State in recent months.* In certain sections of North Dakota there has been a succession of crop failures covering the last three or four years. Heavy losses have therefore been incurred and many of the banks have attempted to carry the farmers in the hope that a good crop would relieve their difficulties. The sharp decline in the market price of grain has made it extremely difficult to collect on farmers' notes, many of the agriculturists appear to have refused to sell their grain at low prices in order to pay off their indebtedness and the local banks have not been in a position to leave the required measure of liquidation. Indeed local banks in many cases supported the agriculturists in their selling strike with the result that losses were reduced and some of the banks closed their doors because of unwillingness or inability to force liquidation of obligations in the possible case of the farmers. The propagandized The Nonpartisan League may properly be blamed in considerable measure for the difficulties which have developed. About the time that the 1920 wheat crop was threshed the market price of first grade wheat in North Dakota was about \$2.00 per bushel. The Nonpartisan League organization through the Land Bank of the United States Senate advised collectively to members to hold their wheat for \$1.00 per bushel. Thousands of farmers throughout the State bowed upon this advice and many of them are holding their wheat yet. In so doing they have incurred a loss of over one-third valuing their wheat at present quotations.

Even The Bank of North Dakota through its official bulletins has persuaded the farmer that the lower prices of grain were not due to natural causes but to artificial manipulation by the commercial and banking interests and the result has been toadden the farmers' determination to hold their grain in expectation of higher prices. In many cases the holding of grain has involved inability to pay maturing of overdue debts and has been a factor of large importance in liquidating the finances of the State and the banking situation generally.† This

* On January 17 the State Bank Finance reported that 29 State Banks in North Dakota had been closed since the present financial commotion began; and that date additional banks have closed bringing the number on March 1 to between 40 and 45.

† The Fargo Forum issue of February 24, 1921 said indifferently: "Early last fall when wheat was selling for considerably more than \$2 a bushel Mr. F. J. Ladd and Mr. W. A. McLean began a campaign to induce farmers to hold their grain prices. The Bank Examiner of North Dakota recommended that he permitted the majority of the banks of the State to deposit their reserves in order that farmers might be permitted to hold their grain."

In other words the Farmers were permitted and encouraged by the Bank Examiner to violate the banking laws and good banking practice in order to prevent farmers to follow the rule of thumb "low prices are bad."

If the bankers had been forced to adhere to the banking laws then as they should have been there would have fallen upon the farmers for a part liquidation of loans. This would have forced the farmers to sell a part of their stocks of wheat and they would have realized from \$1 to \$2 more a bushel more than they can get at present.

And now when the banks have done the Bank Examiner acting under orders from the same Mr. Ladd is proceeding to reduce the rate of wheat the computation of losses and the restoration of the bank reserves. Farmers who were induced to hold their wheat at \$2.00 and \$2.40 a bushel, are now being forced to sell it for \$1.40.

early experience illustrates the stability of a political organization able to advise on broad economic questions and the danger of relying on advice of such character. General extravagance has not been without its effect also and in many instances money appears to have been borrowed for which no other expenditure. The Bank of North Dakota undoubtedly has compensated the following by mobilizing aged popular funds naturally dependent on the local banks and converting a part of such funds into fixed investments. Withdrawal of public deposits from the Bank of North Dakota and the after return of withdraw redeposits from local banks and elsewhere has much affected the banking situation. In February 16, 1921, deposits in the Bank of North Dakota in depositors banks within the State amounted to \$1,000,000.00 and amounted to \$901,264.72 on January 1, 1922 and \$1,000,722.21 on August 16, 1922. Part of such withdrawals have been due to purely seasonal causes. The principal other contribution of the League has been the Minnesota League's bank regulation which appears to have tended to encourage reckless banking throughout the State and some more recent bank failures have been due to irregularities of state officials. Besides the advertising programme of the Non-partisan League农人运动 has made outside agitation of interest in North Dakota and has resulted in the unsuccessful overthrow of the State's bank in the financial year of January December. But while the bank failures in North Dakota have brought that State into public notice it must not be thought that North Dakota alone has experienced banking difficulties. Banks have been closed in the southern Minnesota, in Wisconsin and elsewhere. In cases of conditions not entirely similar to those in North Dakota of the influence of The Bank of North Dakota by reason of the influence from the Eastern States have not escaped注意. Five banking institutions in Boston alone have been closed within the past five months.

The Bank of North Dakota is not a member of the Federal Reserve System of the United States. An analysis inquiry was made as to what would be the attitude of the Federal Reserve Board towards an application for membership and the writer has been informed that an unofficial reply was given to the effect that the Bank was regarded as a State Banking Department rather than as a banking institution and as such was ineligible for membership. Indeed The Bank of North Dakota on at least one occasion in its publicity has run foul of The Federal Reserve Bank of Minneapolis. The Director General of The Bank of North Dakota in his letter of September 16, 1920 said

But it appears that the conception has more tendency in the big financial centers held of the function of banking to keep accounts does not reach down to the farmer at all. In fact he gets no advantage on the Federal Reserve Board and apparently the leading bankers and business men are apparently averse to doing so. The farmers of credit we would grant the purpose being to control their debts and to pay up the loans they made at the beginning of the panicing and now we are to release the master for one or two years from the legal monetary system.

In justification of the position of the Federal Reserve Bank for the North District located at Minneapolis, George Young showed that the Federal Reserve Bank and the commercial banks of the Twin Cities had outstanding loans to North Dakota to an aggregate of \$11,423,000.00, whereas reserves of North Dakota banks on deposit in the Twin Cities banks amounted to only \$11,438,249.94. In other words, the banking

metropolis of Minneapolis and St. Paul instead of withholding responsible credit from North Dakota actually were lending in that State almost three times the amount of money gathered from North Dakota as deposits.

NO SUBSTANTIAL BENEFITS FROM BANK

It is difficult to find any substantial benefit to offset the harmful effects of operation of the State Bank. The claim has been made that entity of The Bank of North Dakota onto the mortgage loan field has resulted in keeping interest rates lower than they would have been otherwise. But real estate loans by the State Bank are considerably less than \$100,000 and its loans will not affect the statement that outstanding loans mortgages in North Dakota have been substantially reduced at ~~\$100,000~~¹ so that the real estate loans by The Bank of North Dakota represent only an insignificant proportion of the total. In this connection however, and in addition, the Bank it must be recognized that the situation has been to the expense of the customer to enable it to do the business which entitles it to capital from the small amount of loans that have been made have been subject to heavy charges representing administration costs and losses and expenses of The Agricultural Credit Bureau. Thus during the State Bank an estimated amount collected by the customer November 1930 was by The Bank of North Dakota approximately twenty-five hundred dollars for capitalization of their farms under the State.

In summary of the history of The Bank of North Dakota to date it may be said that that institution has engaged in practically all short-term loans on the same that the regular commercial State Bonds which have been unmarketable that from the outset it has been planned that it has failed or has to provide an important element of credit for agriculture, that its profits for the most part have been derived by compensating legislation giving it a government of the Bank as a long-term fixed interest rate charged upon all public deposits which deposits in part have been enhanced at a considerable advantage over the rate paid by the State Bank that it has failed as a central bank to under emergency conditions and today is unable to extend by the same standards as are applied to private financial institutions, that in short it has no relationship with the present existing banking system to weaker the latter and inherently has been responsible in part for the depression banking situation of North Dakota at the present time and that already it has been deprived of the monopoly right to hold all public funds and to a very large extent has been discredited as a central depository and otherwise. The State Administration may now be forced to reorganize the Bank and use it principally as a means of providing a rural credit service somewhat similar to that of South Dakota. In truth the Bank cannot continue to function as intended unless and until sale of a substantial amount of State bonds be effected. The Bank itself probably more than any other factor in the North Dakota situation is the stumbling block in the way of rehabilitation of the credit of the State.

¹Other estimates by League represented one per cent as high as \$100,000.

The monthly bulletins issued by The Bank of North Dakota contain much propaganda material pertaining to the greater power of The Department League, of but few charged has ever given up the power of The Bank of North Dakota have been actively propagandizing on the success of the League.

Semi-private enterprises and projects under the auspices of The Nonpartisan League

Enterprises in which Mr. Townley or his associates and friends have a part and in some instances at least a controlling interest appear to be so closely correlated with the activities of The Nonpartisan League and with some of the State agricultural programs that it is difficult to differentiate exactly between those projects which are official and those which in their financial aspects are merely the private ventures of Mr. Townley and some of his supporters.

I suppose that even before The Bank of North Dakota was organized Mr. Townley was involved in banking ventures on account of his skill and contacts of his friends. This statement is definitely indicated by recent evidence which has not been denied yet. Mr. J. J. Hastings who was Mr. Townley's financial secretary and Mr. Thomas Allen Ross Secretary of the Board of Finance of North Dakota who was another of Mr. Townley's associates had organized banks at a number of points in the State. Investigation by the State Banking Board of North Dakota showed that Messrs. Hastings and Ross operating under the name of the Federal Development Company organized the American Exchange Bank of Valley City under state banking laws the stock being sold to the farmers. Mr. Hastings has stated that it was arranged that Mr. Townley through representatives would control 50 per cent of the stock of such bank. It was purchased for the new American Exchange Bank to purchase the American National Bank at Valley City. A deputy bank examiner reported favorably on the deal and the State Bank Examiner was satisfied. But the Secretary of State and the Attorney General both anti-League elected officials and who constituted a majority of the State Banking Board were suspicious. The senior deputy bank examiner was sent to investigate and his report showed that

Messrs. Hastings, Ross and associates the promoters of the American Exchange Bank had owned a controlling interest in the American National Bank.

2. The American National Bank held notes to the amount of \$26,375 in the names of the Federal Development Company, Mr. Thomas Allen Ross, the Consumers United States Company Inc., Mr. J. J. Hastings and Messrs. Hastings, Ross and their wife a farmer who later testified that although President of the American Exchange Bank of Valley City he did not know the details of the proposed purchase.

3. On February 14, 1919 a committee representing the farmers and including Mr. J. J. Hastings had gone to the American National Bank with power to purchase it and later a contract was made for the purchase of the American National Bank by the American Exchange Bank represented by Mr. Hastings and associates.

4. When the American National Bank was turned over to the stockholders of the American Exchange Bank the latter were charged \$13,026.61 in excess of the amount called for in the contract the sum being over and above the legal commission taken by the organizers on the sale of the stock of the American Exchange Bank.

The Secretary of State and the Attorney General stated that the notes held by the American National Bank be secured and also that the express payment which has been referred to by the Attorney General as a take off made by the Farmers should be returned. The notes were secured and reinstated and the over charge was made by Mr Hastings and his associates before the amalgamation was commenced. The cashier of the American National Bank testified under oath that Mr Ross went to him several times to get him to change the contract between the American National Bank and the American Exchange Bank to cover the so-called take off and that Mr Ross said "Mr Hastings and I are not making as much as you think we are. Mr. Olson gets his share the balance is divided into four parts. Hastings and I get half and Mr. Trosler and Mr. Lander get the other half."

In connection with the organization of the Farmers Bank at Valley City the former Attorney General of the State said:

"It was anticipated by the Farmers of those days that money given by Mr. Ross would be paid to him by State Banking Board that the State Bank of North Dakota was being organized by the Legislature with a capital of \$100,000,000.00. The new bank would have a large amount with no particular interest or obligation with respect to the Farmers of North Dakota and it did not do any good to urge the public interest with The Bank of North Dakota until the Farmers would then have a right to withdraw their money from it. In my opinion the big argument had nothing to do with the new shareholders of the Bank. North Dakota's right to withdraw its money from The Bank of North Dakota and especially in the hands managed by Hastings Ross and the same men and the other shareholders in the Farmers bank to be Farmers and to earn a higher interest again."

There can be little doubt that there was general restlessness in the affairs of the Scandinavian American Bank at Fargo which some seven months after after the Valley City bank opened. It is a proper understanding of the situation however if we may go to contractor Mr J R Waters former State Examiner who later became manager of The Bank of North Dakota. Not least does make much of the fact that Mr Waters had had no previous banking experience that before he appeared at Beach N D he had operated a livery stable in Iowa and that at Beach he conducted a real estate office and had a law license. At the age of 25 he was appointed by Governor Frost as State Bank Examiner. Subsequently Mr Waters broke with The Scandinavian League as a result of disagreement over the management of The Bank of North Dakota coupled perhaps with an element of jealousy over the fact that he was superseded by the present Director General of the Bank.

EXTENSIVE CHAIN BANK SCHEME

It has been alleged that in 1917 through his financial secretary, Mr J J Hastings Mr Trosler had purchased a controlling interest in the Scandinavian American Bank at Fargo and Mr Waters has since told of the genesis of Mr Trosler's chain bank scheme. He said:

"That The Scandinavian League at Bank Avenue still resides in William Lander former Attorney General of North Dakota. Published under Seal of the Am Law Com of North Dakota. Providing for the Year in the Presidency."

"Mr Waters stated and many of his wife relatives did not fail to deposit affidavits that his present opposition to The Bank of North Dakota and The Scandinavian League presents a prompted effort to discredit me. Nevertheless, his charges are of specious and The Scandinavian League and its officials have never taken legal action upon it to disprove such damaging evidence that one can only conclude that there must be some basis for the allegations which he has made."

As soon as the Bank The Bank of North Dakota was organized and as soon as the railroad came into our possession Tuesday's Fargo Bank, the Scandinavian American Bank, attempted to make demands for deposits. It appeared with the intention of a deposit equal to the capital but had made up my mind to keep it here and to wait to see what would happen. About the time Mr. Towner came to me he said he had heard nothing further of my deposit. When I went to Towner's First Bank, he informed me he planned on organizing Bank No. 1 by taking 10 per cent of the stock and putting the money on the stock in the Fargo Bank. In payment bank stock the money which the Bank of North Dakota would get there and he said then he would organize Bank No. 1 and take 10 per cent of the stock and put the money on the stock in Bank No. 1 and take 10 per cent of the stock and put the money on the stock in Bank No. 2 where his funds would now be deposited. So a committee I would believe would go to the meeting to see if we had organized the State Bank of the Bank of North Dakota, would be deposited in private banks and as North Dakota has a banking agreement between banks and organized by the private banks. It was a copy of a model of ours and I will remember that he could not give us those of their other banks, only in the State and out of the Banking System of North Dakota and State Banks. And on this the banks would give the borrowers and Towner would own them.

Mr. J. J. Hastings had been appointed vice president of the Scandinavian American Bank at Fargo but Mr. Waters has charged that it was Mr. Hastings who gave information to the Banking Board which led to the so called raid on the Fargo institution. At the same time the State Auditor was in Florida investigating a sugar plantation proposition in which Mr. Towner is said to have been interested. Whatever may have been the source of the information the State Banking Board took possession of the Scandinavian American Bank at Fargo and closed the doors on the ground that it was insolvent. There is question as to whether such action was in then the legal power of the Banking Board, but at any rate it disclosed a most serious situation.

The Scandinavian American Bank had a capital of \$40,000 and a surplus of \$10,000 and under the State banking laws the total liability to any banking association of any person incorporated or not or firm must not exceed 15 per cent of the capital stock and surplus of such association actually paid in. In the case of the Scandinavian American Bank such limit was \$60,000. Yet a report of the State Banking Board in October signed by the Assistant Attorney General and two deputy bank examiners showed no less than twenty loans exceeding such limit. In fairness to the Scandinavian American Bank it should be stated that such loanings in reality were for the most part groups of loans extended through a system of individual loans each of which probably was within the legal limit. The spirit of the law had been violated at least and the bank examiners considered that there was a legal violation as well for he reported the following as excess loans:

Name of Borrower	Amount
Consumers' United Stores Company	\$170,000.00
National Nonpartisan League	140,000.00
League Exchange	60,100.00
Publishers' National Service Bureau	47,000.00
H. D. Hastings	47,000.00
No. 6	23,000.00
H. E. Knack	23,000.00
No. 8 -	23,000.00
No. 9	26,000.00
A. M. Grosvenor	26,400.00

Name of Borrower	Amount
Porter Kimball	\$15,046 37
No. 12	13,482 50
No. 13	11,324 00
United States Steel Trust	12,000 00
O. K. Hanson	18,847 88
P. R. Sherman	12,996 50
No. 18	9,159 78
No. 19	9,129 31
No. 20	9,523 89
Total	\$73,194 82

On the above list in addition to The Nonpartisan League itself the Consumers United States Company Inc., League Exchange, The Publishers National Service Company, H. D. Blagerts and the United States Steel Trust were all enterprises in which Mr. Hanson or his associates were financially interested and which in some measure at least were active in an arm league project. In reference to this list the deputy bank examiners reported:

The above represent the names carried by the Bank and indicate more than \$60,000 outstanding on the total loans. Their general character is extremely diversified but the great majority consist of relatively modest sums and all these loans are now due and owing on the part of the borrower. Total to date aggregate and unsecured unpaid loans or unpaid balance on the total loans, \$1,000,000 less the amount of 20 advances made which are each stated separately below to be outstanding loans on that date. In every case no fact has been overlooked of the nature of the collateral held by the bank for the loans and the same is indicated.

The general facts are as follows: In the course loans of up to \$100,000 to farmers mainly dairy and small crop operators, collected by the agricultural service, for the year 1934, all of the loans are made from a banking institution. The general condition of the loans is such that a power and market failure of some sort is the common reason. An examination of the loans could not find that the sum of the aggregate of the present unpaid loan balance found in the same appears a sum which could not have been disbursed without any serious and unusual representations by the Bank officers and all of the loans have been held with the same defects apparent as those already listed.

POST-DATED CHEQUES FREELY LIED

The secrets behind the loans to the Consumers United States Company consisted of farmers' habitats and post-dated cheques amounting in all to \$334,364 50. The deputy bank examiners concluded that the farmers' notes held as collateral were not worth a sum of 50 per cent of their par value while they adjudged that for the purpose of collateral and security for loans post-dated cheques were without any validity or substantial value. The Supreme Court of the State of North Dakota, elected on The Nonpartisan League ticket has since ruled that post-dated cheques are negotiable instruments. In compliance with such ruling and because the claimants stated:

The method by which all collateral is handled requires comment. The collateral held by the Bank for the Consumers United States Company loan and for The National People's Bank, largely in the name and behalf of Mrs. Anna Hanson who is the owner of the two farms mentioned herein. This collateral was kept at the vault of the Bank according to her at all times and under her direction and in her safe taken from the Bank and placed under the control of the debtors accounted for the purpose of collection, and not used recently have even the strength previously mentioned been given

to the Bank to show that such certain specific collateral had been so removed. Mrs. Clayton is the only person who has knowledge of the amount of collateral on hand and as correctness she has her offices in the rear of the building and her figures are taken by the officials of the Bank as true and correct.

The collateral security held by the Scandinavian American Bank for its loan to The National Nonpartisan League also consisted principally of post-dated cheques together with bonds of the Consumers' United Stores Company, Inc., in the sum of \$20,000. The examiners were of the opinion that "this line of credit is almost wholly unsecured." The security for the loans of the League Exchange Inc the financial organization of Mr. Townley and his associates, comprised farmers' notes and bank stocks. The examiners reported that taken at its face value, such bank stock collateral did not come "within over \$6,000 of being sufficient to cover the face of the loan." They added "It is our judgment that this loan is not only excessive in the extreme but that the collateral is wholly inadequate."

The loan to H. D. Hayes was overdue and for months had been in the hands of lawyers for collection without avail. The opinion of the examiners reads "This loan is not only excessive but if not totally worthless it is wholly bad. The makers of the notes collaterals are irresponsible and financial vagrants. The security behind it is just as questionable and is of the same shadowy doubtful character as the signature of the makers of the principal obligation."

Relative to the loan to the United States Seal Trust, the examiners said

This was consists of three notes signed by the United States Seal Trust, by Mr. J. R. Waters, President and represents an obligation incurred by the Bank from the above corporation which is as yet without a license from the Blue Sky Board to do business in this State. It amounts to \$12,000 in all is overdue without collateral of any kind for security and has the right to be in the Bank at all, to say nothing of being excessive. This is one of the wildest pieces of banking displayed by our examiners. This also merits approval of directors.

Other excess loans were strongly criticized, as was also the amount of past due paper held by the Bank much of which paper was in the hands of lawyers for collection and on which "not a great deal can be expected to be realized."

The Scandinavian American Bank held the stock of nine banks, totalling in value \$82,046.79, and including 57 shares of the stock of the Scandinavian American Bank itself. The Bank also had loaned \$5,300 to The Courier News of Fargo, the editorial policy of which is dictated by Mr. Townley at a salary of \$100 per month. The two notes on which the loan was made to the newspaper were unsupported by collateral and the larger note was past due. In conclusion, the deputy examiner said

The Bank is heavily overburdened at the present time by reason of the excess liabilities and extensions of credit already discussed. Its reserve is way below the requirements of law and I figured in strict accordance with the law at the time of this report would be several hundred thousand dollars less than no reserve. The Bank today is unable to properly handle itself because of these excessive loans, a credit and modulus extension of loans and presents a total sum nearly \$1,500,000 financial insolvency unable to take care of its obligations. Without any question of a doubt I am of the opinion that the Scandinavian American Bank of Fargo is insolvent. I do not attempt at this time to place the entire responsibility for the condition. The condition of the loans, however is too apparent to warrant other conclusions. I do not believe that the practices to which the depositors in the Bank are entitled could justify a continuation of business. I am thoroughly convinced that the only way in which the

and interests of the Bank and its patrons may be served as far as the date from further losses to the public and these unfortunate conditions have continued have been rectified.

PLAIN CASE OF "WINDOW-DRESSING"

In a supplementary report the Assistant Attorney General and the deputy bank examiner referred to an arrangement between the Scandinavian American Bank and a bank in Duluth by which a contingent deposit in the Duluth institution was made to appear as an available cash reserve. In other words it was a plain case of window-dressing. The following extract is given from the supplementary report on the Scandinavian American Bank:

"In particular appears from the end of the report that one month in the course of 1913 it is reported that the agent could be imposed on the sum of \$100,000.00 we have come to the conclusion that the Scandinavian American Bank is responsible because it appears that reference to the amount bank should be made and such an item is not in our former report."

The unsatisfactory condition of the Bank was known to the State Bank Examiner & Officer a report made by a deputy bank examiner of the State on the preceding April showed an insufficient reserve and other unsatisfactory conditions. Nevertheless advice was sent from the Examiner & Officer to the Scandinavian American Bank as to what steps should be taken in order that the Bank might pass examination by the Comptroller Fund Committee. At that time the Governor was requested to appoint the three banker members of the Comptroller Fund Committee from a list of names submitted by the North Dakota Bankers Association. The Secretary of the Commission was the State Bank Examiner Mr. J. H. Waters an appointee of George Hayes. In a letter dated at Bismarck June 10, 1913 Mr. Roy M. Halliday one of the clerks of deputies on Mr. Waters' Office wrote to Mr. J. J. Hastings Vice President of The Scandinavian American Bank at Fargo stating that Mr. Waters was undergoing a major operation at the Bismarck Hospital and had asked the writer to communicate with Mr. Hastings. Mr. Halliday † wrote:

"Mr. Waters has asked me to write you regarding an arrangement he has at your Bank now now making an examination. He has been sick since last Thursday & he would be pleased to have off during the Mc Neill session. Mr. Neumann and Mr. Hollingshead have been in touch with him & it is felt that the examination for does not go on until after his recovery and arrangements have been made for him to go to the hospital at that time and get well and a report can then be possible so that there won't have anything held up the examination particularly long or however and business needs are to be done the amount of paper required there is apparently quite enough. We have a good deal of paper for the Auditor. You see the appointment pattern and all the other men that are in the Auditor's office and they are trying to make my understanding for the last part I don't suppose the other banks of Fargo are not taking good care of their papers about John H. Waters wishes me to advise you that at the moment when I copy of the

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*The Act that will soon be considered to require that the Comptroller Fund Committee be composed of the Governor of the State of North Dakota the State Finance and Taxation officer to be appointed by the Governor of the State and that all new banking institutions be admitted to the membership of said Comptroller whether to do business or otherwise shall be made by the Governor of the State of North Dakota. Before the Banking Board is established the Scandinavian American Bank Mr. Hayes President of that institution was appointed by the Comptroller as Chairman of the Depositors Guaranty Fund Committee.

†Mr. Halliday has since stated that he wrote this letter without Mr. Waters' knowledge.

paper carried there you are to tell them that it will be removed at once. The plan for getting out of short money market is to allow a note to the other League funds. General Parker, Franklin, Phillips, Higgins, Hastings, Tracy Banks are persons who have funds and have been granted by the committee which will have the right to do this. They would not have anything that has been done. It would subject the note to the bank, but we would then consider the note to be a loan to the League. However we don't want you to move funds. You can obtain the note in time to get it back a short report. Mr. Waters is satisfied that in his opinion you can and Mr. Thompson will be able to handle this matter satisfactory to all."

The above letter was followed the next day June 11 by another in which Mr. Halliday said:

In respect to the proposed note which one of the other League funds is to take over in the event you might have no amount of the necessary funds to meet your obligations to the Bank, a suggestion was made that you were granted until the amount of your required note be three of four million dollars and that the note being so drawn on the Bank would be more than likely to be accepted. The note will therefore be drawn upon the Bank for much less amount. The note will therefore be drawn upon the Bank for much less amount. I think you will find the note will be accepted and you will receive full value for the amount you are giving up.

The relationship existing between the Scandinavian American Bank at Higgins and The Nonpartisan League is indicated in a letter to Mr. Waters from the Chairman of the Bank regarding the additional funds. The letter which was dated May 28, 1919 reads in part:

Age old and most frequent a statement is often made when we meet a need of funds. Please let me assure you that you are perfectly right in the view that a short time since (June 1918) The non-partisan League has been in existence and Mr. Thompson has been our Chairman he has been a regular draw upon the Bank for small balances. We are anxious to continue to do the same when necessary and have given further evidence that it is necessary and to be amount of probably \$200,000 to \$300,000 between now and harvest.

Mr. Higgins also states in his letter to get an \$800,000 or additional to the \$200,000 which is now available and urges that you give him your consideration upon this and other topics.

We are giving a bank a very different account of funds. Our notes are displayed on the bank and we urge complete confidence in us at this moment. Our only request of course is the Bank of Commerce to do the same. Franklin and Minneapolis Banks, Chicago, are both doing well and noted for a good record of sound business. The League respects a number of the banks which handle and are noted still from day to day when any business will be opened.

The fact is the we have informed the League and the Committee of your Nonpartisan Company's balance of \$200,000 for safety deposit box available that much. While we are glad to be of assistance, the time has arrived when we might have you come to us shall get through the summer without difficulty.

CONT ORDERED RE-OPENING

The closing of the Scandinavian American Bank by order of the State Banking Board in the absence of the State Finance appears to have taken the initiative of The Nonpartisan League to surprise But steps were taken immediately to reopen the Bank. Some of the papers to which references were made appear to have been taken over by other local banks controlled by a family to The Nonpartisan

This was the concluding portion of the interview between Mr. Waters and Mr. Parker in which Mr. Waters had presented his proposal involving the placing of surplus money from The Bank of North Dakota in the Scandinavian American Bank. Parker, of course, informed Mr. Parker was unable to control The Bank Manager and Mr. Parker thought he should inform Scandinavian Bank before June 20, 1919 or would mean the closing of the bank, according to Mr. Parker in his opinion. Mr. Parker replied "By---- I'll keep that until open and take care about of people money on the side of North Dakota". Mr. Waters also told of calls from Mr. Franklin for additional deposits or loans from The Bank of North Dakota to the Scandinavian American Bank.

League Auditors who previously had done work for the League composed preparation of a statement to offset the report to the State Banking Board. Recent evidence before the House Audit Committee has shown that the statement so prepared and signed by both the State Examiner and the Special Auditor the State Auditor was hostile to the League and consequently was agreed was misleading in several particulars. It is not actually disclosed. Submitted to such report opposition was made to the Supreme Court of the State to reopen the Bank. In this connection it should be stated that the Nonpartisan League had selected four of the five Supreme Court Justices. Three of such Justices especially are bitterly opposed by the Independents and thoroughly opposed to one of the subjects of the expenses applied to them. A friendly Supreme Court has been a matter of considerable strength to the League leaders and the decisions of such Court have weakened the Independents in stature and confidence. In this particular case the Supreme Court ruled that the Banking Board had exceeded its powers and ordered reopening of the Standard American American Bank. This action was taken despite the deputy bank examiner's report of the condition of the Bank as detailed above and a letter suggesting an application there pending before the Court by the Attorney General for the right to examine the men whose affidavits were used to support the application on behalf of the Bank. The State Banking Board was not even given an opportunity to bring witnesses before the Court. The proceeding ended in an amazing one for which it is difficult to find any justification. All relations of The Bank of North Dakota with the Standard American American Bank of Fargo, Mr. Waters has said:

"When I left The Bank of North Dakota I had over twenty thousand dollars of public funds go to the Standard American American Bank of Fargo. The Standard American American Bank of Fargo is a branch of the First National Bank of America and I believe the number of the cash depositors increased when I became President of The Bank of North Dakota to be redecorated. The Standard American American Bank of North Dakota had received the power of "spending" when the Bank of North Dakota became a branch of the Standard American American Bank of Fargo. The man in charge of the Standard American American Bank of Fargo was a prominent citizen of Williams, North Dakota. I am not sure of the name and address of this man in original and complete form. I have this in my possession. I was not a member of the Board of Directors of the Bank of North Dakota until well into 1921 and during that time I could not make any contact with the man in charge of the Standard American American Bank of Fargo or a banking man. It is from the man in charge of the Standard American American Bank of Fargo that I received the power of "spending" when I joined the Board of Directors of The Bank of North Dakota. I do not know if there have been any changes on the personnel of either Standard American American American Bank or the Standard American American Bank of Fargo. I returned to the right of bank and remained with the League until

There was some attempt at reorganization of the Standard American American Bank after it was reopened. Mr. H. J. Hagen has retired recently and left the State but the organization is still owned in part and controlled by the Nonpartisan League through the League Exchange and individuals as liable to the League. Some additional capital was recently submitted, but the money was kept in a safe deposit box in the Bank and the amount has not been counted. The Bank remained in operation continuously from the date of its reopening in October, 1920 until February 14, 1921 when it did not open under an order by the State Bank Examiner. Doubtless it must demands made upon it by The Bank of North Dakota was the reason offered for closing. Under The Standard American American Bank is indebted to The Bank of North Dakota in the amount of \$420,000. of which Independents represent \$250,000. The

institution has not been a member of the Fargo Clearing House Association since it was closed in 1919 by the State Banking Board presumably because it failed to comply with the regulations of such Association. Most of the Fargo banks have dealt with the institution only on a cash basis, refusing to accept drafts for clearing items. On February 13, officials of the Scandinavian American Bank in conference with other Fargo bankers asked for an advance of \$100,000 to enable it to carry on, but the loan was refused. Commenting editorially on February 15, 1921, on the developments since the first closing of the Scandinavian American Bank in 1919, The Fargo Forum said:

The Bank of North Dakota passed an additional sum of \$143,000 in one and above the amount of loans and debts to from the State Bank on October 9, 1919, upon the Scandinavian American Bank and so took off a handsome \$40,000 in paper which was at least of questionable value. That paper lies more than a year is almost over in The Bank of North Dakota.

CO-OPERATIVE RETAIL STORES PLANNED

The Consumers United States Company, Inc., is another private or semi-private venture in which Nonpartisan League officials have been interested. It appears to have been Mr. Townley's idea to organize co-operative retail stores in every town of one size and at least one store in each county in the State. To become a member of any such store it was necessary to be a paid up member of The Nonpartisan League. Membership in one of the former stores cost \$100, for which was promised the privilege of buying goods at cost plus a profit of 10 per cent. The Consumers United States Company, Inc., was the central organization through which the formation of local stores was contemplated. The agreement for a buyer's certificate in the Consumers United States Company was a most unusual one. It provided that 90 per cent of all money subscribed should be used for the establishment of a local store until a certain sum should be so applied. All surplus over and above that amount was to be used by the Consumers United States Company to establish and maintain a central buying agency or wholesale establishment or to carry on educational work or propaganda along all lines deemed by the Board of Directors of the Consumers United States Company to be in the interest of or beneficial to farmers, and for the assistance of farmers' organizations such as relate to the economic educational or political interests of the laborers of both. It is said that under the terms of such agreement very large sums of money have been secured by the Consumers United States Company, Inc., without the latter being under any specific obligation in respect of how much money should be used. In fact Mr. Townley is said to have refused to make any accounting of the "surplus."

Mr. J. W. Bruner who was formerly associated with Mr. Townley as private secretary and personal representative, but who for some time has been fighting bitterly the President of The National Nonpartisan League and the entire organization, has written as follows of the Consumers United States Company:

With a capital of \$1,000,000,000 per cent held by his personal attorney, William C. Clark, his bankruptcy proceedings still prevented Townley from holding anything in his own name, he sold in less than one year over one million dollars of memberships at \$100 each to League members. Thus, through his attorney he controlled a million dollars paid him in money and notes. He secured these funds through League organizers who carried credentials signed by Townley, the promoter which stated that the company was being formed under the

members of The Nonpartisan League. This company was organized along the lines of the League with all the rules of business being written in agreement with each member by a greater portion of the members which he could be used in the head office of his company. And it was so.

Many of the Nonpartisan League stores have gone out of business and some of those that are operating still are said to be in a precarious condition. Reference already has been made to the plan set up by State mill at Bismarck during their organization and to the same as carried on subsequently with such organizations. A large proportion of such business was with the members United States Lumber Co. In fact Mr. Johnson's plan for a separate class of stock as right as real bonds to the agriculture of North Dakota. On the other hand the memberships have failed to be an alternative development while the State mill has lost money through its relations with some of the stores.

Their attempts to buy up the stores of the newspaper business in Florida it is alleged that Mr. Johnson through connections was just issued \$2,000 worth of land in Florida and that Messrs. Hastings and Hens already referred to in connection with the Valentine Bank had and other high powered organizations holding property in South Dakota and held Mr. Johnson's interests in stores in the town of Fort Pierre. Papers of organization of the United States Social Forum were in contact with Messrs. Hastings from as officers. Mr. J. W. Hens also claims Mr. Johnson's interests and personal representation has charged that \$17,000 of the money of the members of the group was loaned through Mr. Hastings and the Standard State Savings Bank of Fargo. It seems clear that State funds under the control of The Nonpartisan League through The Bank of North Dakota were loaned to the Nonpartisan American Bank of Fargo the Bank in which Mr. Johnson and his associates had a controlling interest and that such funds were loaned in part to finance the small enterprise of Mr. Johnson the President of The Nonpartisan League. Mr. Hastings has charged that there was an encroachment of \$12,000 unmet in the large amounts of funds which had gone to Florida. The amounts paid of these statements are in the hands of the writer paid of financial transactions that would make him an amateur. If the perjury charge against Mr. Hastings following his recent evidence before the House Agricultural Committee — were to cast more light may be thrown on the largest transaction probably he has referred. If one can believe the public statements of Messrs. Hastings and Waters even with general ignorant relative to the steps taken by the President of The Nonpartisan League in an attempt to cover up his connection with the newspaper at a time when the operations of his business interests were under Federal investigation Mr. Johnson's qualities would put to shame the most daring and unscrupulous of "wildcat" financiers.

Reference already has been made to the chain of newspapers controlled by officials of The Nonpartisan League and to the newspaper law under which the State Administration could designate friendly news papers as official and thereby give to them a monopoly or request of certain classes of advertising. The present control of newspaper papers in the State of North Dakota was secured in large measure by organizing large publishing corporations with money subscribed by farmers. In the case of some of these corporations the common stock along with a controlling interest is said to have gone to the Publishers National Service Bureau for protection and other services. The League Exchange Inc.

is a financial organization which is also controlled by Mr. Townley and associates. The Exchange operates as a holding company and also has served as an agency for financing certain of the projects of The Non-partisan League Presidents Friends. The bank examines reports on the Scandinavian American Bank affair showed that The League Exchange, Inc. had acquired 57 shares of the stock of the Scandinavian American Bank of Fargo and disposed such shares along with shares of 5 other banks in the Scandinavian American Bank as security for loans.¹ In 1919 The League Exchange owned 47 shares of Scandinavian American Bank Stock. Mr. J. B. West as trustee for The Nonpartisan League held 1600 shares while individuals favorable to the League held a considerable part of the balance. Officers of the Bank have admitted recently that such stock ownership is practically unchanged and that The Nonpartisan League directly or through The League Exchange owns at least 167 out of the 500 shares of stock. That the policy of the Bank has continued to be controlled by the League has been generally recognized.

LEAGUE LEADERS AND THE BANKS

The full story of the organization of banks by persons representing Nonpartisan League leaders, the methods of financing such institutions, the relations between these banks and the semi-private enterprises of prominent leaders and the relations between such banks and The Bank of North Dakota has not yet been disclosed. In 1918 a number of banks now frequently referred to as League Banks were started by Mr. Thomas Allen Box and Mr. J. J. Hastings. It has been said that Mr. Townley contemplated a chain of 200 banks on October 1, 1919. Attorney General Lang issued a warning to the farmers against purchasing stock in any such banking institution. The plan appears to have been that the farmers should provide cash or notes to the amount of 40 per cent of the total stock and that The League Exchange Inc., should subscribe for 50 per cent giving its note in payment that The Bank of North Dakota should deposit public funds in the Scandinavian American Bank at Fargo which was to serve as a central institution for financing Mr. Townley's scheme and that the farmers notes should be discounted at other Townley controlled banks which should be kept in funds in State deposits. That the scheme actually was put into operation in the organization of some banks appears from evidence before the House Audit Committee. The following editorial statement by The Fargo Forum of February 17, 1921 seems to summarize fairly disclosures relative to the People's State Bank at Leth which closed its doors on February 18.

Apparently the proprietors of the Bank at Leth gave their notes, secured by the capital stock of the Bank, to the Scandinavian American Bank, and later when sufficient deposits were received these notes were replaced by the certificates of deposit from the Leth Bank. Thus the depositors provided the capital stock of the Leth Bank.

Again it has been shown that loans, which are said to have been used to finance The Nonpartisan League's political activities, were made by the Security National Bank of Valley City, under an arrangement with Mr. Townley, and on the understanding that The Bank of North Dakota would make a deposit covering such loans. The Assistant Cashier of the

¹This transaction would appear to be illegal under Section 6100 of the State Banking Law, although The Nonpartisan League leaders operations for the most part seem to have been kept within the letter of the law.

Security National Bank of Valley City has stated that the certificates of deposit in various banks throughout the State were accepted by the Security National Bank and money paid out on them on the understanding that the deposit from The Bank of North Dakota would coincide with the Valley City institution so that paper was reckoned. The Security National Bank will not accept certificates of deposit for less than which Mr. Johnson claimed from Farmers Cooperative in The Nonpartisan League. These certificates of deposit were taken by Mr. Johnson and money was realized upon them through the Bank of North Dakota and Minnesota. A slight charge upon the Security National Bank by The Bank of North Dakota for the amount of deposits in the private bank was offset on the strength of the agreement covering the certificates of deposit upon which advances were made and the draft was cancellable by The Bank of North Dakota after the account balance became a factor, so, owing to the payment was reduced. On a recent date he thirded all the deposits and loans from The Bank of North Dakota in return for which he received a small League bank at Valley City in the Farmers Cooperative Bank while the remaining two thirds was divided among 24 other banks. The Farmers State Bank at Grand Marais with enddeposits and advances from The Bank of North Dakota totaling \$16,000 more than twice the combined capital and reserves of the local institution having \$20,000 in the Farmers National Bank of Duluth a semi League enterprise on the northeast shore of the Harbor. The legal limit of loans from his bank to a one thousand was \$10,000. The State Bank Examiner has admitted that the First State Bank of Duluth of which he was president at the time had no apparent power to do anything other than act as a trustee for holding so called

Nonpartisan League cooperatives from which the money obtained as enddeposits and loans from The Bank of North Dakota. The State Bank Examiner herself stated \$2,000 in public funds from The Bank of North Dakota to enddeposits in a small Bank which closed 2 days after the deposit was made. Mr. Johnson said that he caused the deposit to be made with the expectation that it would prevent the bank to continue in operation. A deposit bank might have reporting on another large bank with paper which apparently had come in from the Scandinavian American Bank of Longview. It is stated to me that there or other offices must have been some reluctance offered in taking some of the loans that are on the books of The Bank and Hastings drug according to the report was secured by a small paper mill just being constructed in a former building in which the meeting place was placed after the fire. Still another interesting transaction took place between the House Budget Committee and the Farmers Cooperative Bank of North Dakota.

At a meeting of state banks in North Dakota a bill was passed to entitle a bank to make loans and have no margin when you have an equivalent note held with the bank. This note could be held over until the note was paid for handling fee. The Bank of North Dakota August 27, 1932 advanced \$10,000 to the Farmers Cooperative Bank of North Dakota, which brought the account totalized. Both banks are the same owners without a double account here. The notes were given to the deposit and the exact position prior of the note the deposited bank is the bank in the paper mill and the note principally cashed out there to The Bank of North Dakota. The fact that the big letter which the Minnesota State Bank had on the note was \$2,000 appears to have brought a number of men to which a certain sum paid. But the result was that The Bank of North Dakota had and still has the smaller notes to the amount of \$2,000 secured by mortgages on cars which are worth exactly that amount now and when the note was given. All the notes are encashable.

The dealer who has handled many automobiles for The Nonpartisan League has testified that he made the arrangement to discount paper in the Michigan City and other banks, "with the knowledge that it was going into The Bank of North Dakota." Then there is evidence of "window-dressing," the practice of "shooting to other friendly banks" questionable paper, at a time when official examination is expected. It would appear that as yet the investigations in North Dakota have only touched the fringe of the whole wretched story of bank manipulation and entanglement with The Nonpartisan League and its friends. But the disclosures already made would afford a healthy study for those Canadians who profess to desire "nationalization" of the Canadian banking system or talk of the supposed advantages to local communities of small unit banks over the Canadian branch banking system.

Mr Townley and the other high officials of The Nonpartisan League were interested in various financial and development corporations, but the activities of the concerns of principal interest have been analyzed in sufficient detail to indicate that the "prompter" instinct was keen in Mr Townley and that in the case of some of his enterprises The Nonpartisan League was used indirectly at least to ensure the success of privately-controlled projects. At the same time, it has not been proved that Mr Townley was dominated solely, or even largely, by a greed for wealth or personal preferment. The President of The Nonpartisan League combines in a strange personality the instincts and abilities of the agitator and the promoter. His enemies denounce him as a "crook"; his initials "A.C." have been given the apocryphal interpretation of "Alter Cash", but the more charitable view is that Mr Townley has the "reformer's" zeal, and that such zeal prompted the experiments which have brought little if any advantage to the people of North Dakota but, on the contrary, have done harm, the full extent of which has not yet been realized.

Nonpartisan League Policies and Their Consequences

"Townleyism is bankrupt of practical policies, its efforts to deal with the present financial and banking situation in North Dakota have shown a lack of constructive resources and a surprising inability to devise any effective solution of difficulties which menace not only the entire industrial programme of The Nonpartisan League but the welfare of the State itself. In its Federal platform the League has no constructive plans, but has espoused Government ownership of railways artlessly accepting the Planit plan and it also has dreamt of ridiculous ambitions unsupported by practical plans to abolish gambling on the newnames of file. While recent developments in North Dakota have gone far towards discrediting the organization it probably would be a mistake to imagine that The Nonpartisan League has reached the end of the road and that henceforth it is not a factor to be reckoned with in either Federal or State affairs. The League has the popular side of most public questions. It has a highly efficient and highly dangerous propaganda organization and it has control of many cities. Thousands of farmers in North Dakota and elsewhere who read in papers controlled by or friendly to the League only one side of the story still appear to have faith in Mr. Townley and his associates. Temporarily at least the League has been checked in its political programme but it is still an exceedingly dangerous force. In a letter written shortly after the November elections, an official connected with the North Dakota organization said:

With regard to election results in other states where The Nonpartisan League is organized, while no other state was carried with the exception of Wisconsin where a coalition between the League and Left-Wing forces won important victories, the organization has made very substantial gains all along the line. We are of the opinion that on the whole, we are entitled to taking a very optimistic view of the situation."

Certainly an organization which polled at least a million votes throughout the United States in the last elections cannot be disregarded lightly.

So far as the North Dakota experiments are concerned recent developments have shown that The Nonpartisan League's plans were not carefully thought out in detail. The State Bank and the State enterprises which the Bank was designed to finance have not stood the test of adversity although League supporters may contend with some justice that the programme was handicapped from the outset by the failure to sell the State bonds which were intended to provide much needed capital. But apart from any question as to the inherent merits or demerits of the League's industrial programme, poor judgment was exercised in embarking on the various projects before the financing was arranged. It was another case of reliance on the fiat of the State and failure to distinguish between the authorizing and the sale of bonds. Inability to dispose of State securities led to the compulsory mobilisation of public funds and employment of such trust money in part for long term loans. The passage at the last session of all the laws initiated by

opponents of The Nonpartisan League was a severe blow to the prestige of the Administration and it seems probable that the election would have been disastrous if the League had its candidates not been listed as Republicans and thereby derived the benefit of the Republican vote. Even at that the majority for the League slate was less than 5000 while Mr. Harding carried the State with a majority of 130,000. Passage of the initiated measure to increasing voter registration that the former popular trust of The Nonpartisan League leadership has given place to doubt and a desire for control and neutrality. There is no need as yet, however, that the agriculturists are prepared to scrap the entire industrial programme¹ class antagonisms developed by years of propaganda, die hard even in the face of the lack of success which has attended the socialist experiments in North Dakota.

The present situation is not satisfactory to either. The Nonpartisan League supporters or the socialist League members are in control of the majority of the State offices and practically all the more important offices. For the next two years unless the recall law can be utilized successfully, and at least that is an awkward and doubtful expedient. The League controls the Senate by one vote while the opposition has a majority of five in the House of Representatives. Under these conditions a stalemate has developed with little prospect of progress. The House of Representatives and the Senate have been working at cross purposes both regarding the political advantage. Immediately after the last election it was apparent that the League was determined to carry on and to govern in disregard of the Legislature. A letter from an official of the League dated November 27, 1920, contained the following significant paragraphs which show just how much concern the League has for much wanted legislation when the latter happens to be unfavorable to its radical plan:

"The League elected the Governor, the Attorney General and the Commissioner of Agriculture and Education, thus retaining and completing its control of the House of Commons which has the administration of the State water power. It possesses full as many members out of five of the Industrial Commissions, the Attorney General, Mr. Canger being Justice. The League also elects the State Auditor so that the present member Mr. Knutson who is a Radical anti-League, will go out."

The League tries to control the First House of the Legislative Assembly but probably has lost a majority in the House of Representatives. But as no measure can be passed without the Governor's signature and as practically the new organization is needed for the carrying out of the industrial programme little importance is attached because of that situation. It may even be of some advantage to the League movement in that responsibility for the making of large appropriations for the support of education and other purposes which substantially will be largely only nominal will be divided.

OPPOSITION IS GAINING STRENGTH

The compromise proposal made by The North Dakota Bankers Association early in January indicates that the business interests of the State expected that they would have to make the best of two years more of Nonpartisan League government. They hoped however that the League would be obliged to fulfill its own agrarian scheme and adopt a more moderate policy. But that was before the banking situation

¹This explains the reluctance on the part of the anti-League forces to resort to a recall election until the fall story of the League's operations has been disclosed and discredited.

in the State was as acute as it has become during the last three months. The initiative was taken by League officials in arranging the conference in Minneapolis between representatives of the North Dakota State Administration and the bankers, and this fact is significant as disclosing a realization by the League leaders that some compromise must be made or even greater disaster will ensue. The bank big situation in the State, with numerous bank failures, the difficulties of The Bank of North Dakota and the practical admission that the institution is insolvent as judged by standards applied to private banks and the evidence before the audit committee of the Legislature have gone far towards impacting the confidence of the League leaders and their followers. In unquestionably much support has been alienated. The League still is blaming Big Business and Wall Street for its difficulties, but admittedly, something must be done to relieve the situation. The Senate, with League supporters in the majority, has rejected bills sponsored by Independents and intended to restrict the powers of The Bank of North Dakota. Bills have been introduced into the House of Representatives to provide for designation of private banks in the State as depositories for public funds and regulations applicable to such depositories to change the membership of the Industrial Commission to create a State rural credits board to take over the farm loan business of The Bank of North Dakota and to create a board to equilibrate the assets of The Bank of North Dakota and its depositors. But even if these be passed by the House, it seems almost certain that they will be defeated in the Senate should the Senate fail to do so. The League still has the Governor's veto in reserve. But in a situation so chaotic as that in North Dakota foreclosures are difficult and likely to be unpredictable. Opposition to the League appears to be gathering strength but the Cowles organization is well entrenched. Town meetings are being arranged for the purpose of discussing the state of affairs and demanding relief. Relief is the road to an effort to effect removal of some of the Nonpartisan League - this has been discussed but there are serious objections to such a course at the present time. It seems not improbable however that the Independents may invoke the recall in an effort to depose the majority of the State Supreme Court which is held responsible in large measure as the answer to the trouble. Why are all these things allowed to happen?

The Secretary of The Independent Voters' Association in a letter dated February 9, 1926, said:

In North Dakota the Nonpartisan League movement is now making a last stand. By 1922 the League in North Dakota will either have ceased to

¹The Fargo Forum in an editorial on its issue of February 22 reviewed the condition of affairs at the present time, and added:

It means that within ten months, at the present rate we won't have a dollar to the our State Government and many of our counties, cities, villages and school districts will be very seriously crippled.

²At least three of these bills would require a two-thirds majority to pass them and such majority cannot be expected.

Since the above was written a committee representing elements in opposition to The Nonpartisan League has decided to initiate a recall election, aimed at the Governor, Attorney General, Commissioner of Agriculture and Labor, three members of the Supreme Court and certain other elected officials. Both factions are girding for the contest and there is no room for doubt that the League will make a strong fight. Letters issued by county managers of the League, announce the intention to raise a campaign fund of \$250,000 for the first round of the fight.

exist or become a political organization, more responsive to the will of its membership and more favorable to the farmers best interests, than The Nonpartisan League is in its present form."

While no extension of the Industrial Programme of The Nonpartisan League in North Dakota is possible under present conditions, it has been the avowed intention of the League to enter into competition with private industries by establishing a thorough going system of State ownership of certain industries closely related to agriculture such industries including milling and meat packing. League officials have frankly admitted the possibility of extending the present State had and tornado insurance to cover other forms of insurance on farm and city property, while the workers' compensation legislation has been viewed by at least some of the League officials as a beginning towards a possibly much larger plan of life and disability insurance. As an indication of the absurd lengths to which some of the legislators are prepared to go and the apparent confidence in the State's power to regulate by legislation may be mentioned a bill considered in the State Senate on February 17, 1921, which would have prohibited school teachers dancing on any night but Friday and Saturday. The amazing fact is that the bill was defeated only by the narrow margin of 26 to 23.

From the above analysis it will be seen that the Legislature of North Dakota controlled by The Nonpartisan League created an Industrial Commission and gave to it far reaching powers relative to State industries established a State bank and gave into its possession the funds of the State Administration and of all political subdivisions of the State compelling such money to be redeposited in the Bank at a low rate of interest arbitrary fixed by the Industrial Commission organized a State Mill and Elevator Association which is now operating a small flour mill and has partially constructed a large mill and elevator at Grand Forks, created a Home Building Association authorized issuance of State bonds to the amount of \$17,000,000 in the Legislative Session of 1920 to furnish capital for The Bank of North Dakota to enable The Bank of North Dakota to issue mortgages on real estate and to finance the mill and elevator programme and made substantial appropriations to be met by taxation on account of State enterprises. Some of the results of such programme have been indicated others remain to be considered.

AN APPEAL TO LABOR ORGANIZATIONS.

The credit of the State of North Dakota has been seriously impaired by reason of the legislation of The Nonpartisan League. Except for the small amount of bonds purchased by citizens of Grand Forks in order to secure the State mill and grain elevator for their municipality and the even smaller amount \$48,000, of bonds of the Bank Series disposed of privately none of the bond issues of the State has been sold. Undoubtedly the difficulties in the way of marketing State bonds were not due entirely to Nonpartisan League policies but the latter appear to have been responsible in large measure. The North Dakota Bankers Association has stated that the sinking fund provisions in connection with the State bond issues are wholly inadequate and uncertain. All such sinking funds are required to be deposited in The Bank of North Dakota and the latter may transfer funds (without limit) to other departments, institutions, utilities, industries, enterprises or other

business prospects of the State has done so already to an extent that has weakened the entire financial structure of the State and may continue to do so under existing laws to an unending extent.

Moreover, The Bank of North Dakota has power to purchase any part of the several issues of State bonds with any funds in its possession. But the banking fund provisions are not the only provision, however, which appear to be discriminatory of the Nonpartisan League. Another provision is in control of the State Government. Certainly failure to pay back some of the State money has not been due to lack of effort. The bonds have been offered in the principal money centers of the United States with no success. The Governor of the State and the Federal Agent of The Bank of North Dakota recently have been in Washington where they were in conference with the Labor leaders with a view to disposing of North Dakota bonds through Labor organizations.¹ The Committee Committee of the American Federation of Labor reported a letter informed the country that the Federation was not in the bond business but a resolution was adopted in conference that the Labor organizations give sympathetic consideration to the bond issue of the State owned Bank of North Dakota. The Garage Federation of Labor which represents the extremely radical wing of the Labor movement is said to have given its endorsement to the League Bonds to labor unions of North Dakota in New York and elsewhere over 80 per cent interest have been accumulated. In the conversion of these bonds it is pointed out that other agricultural States have been able to dispose of considerable quantities of their securities. South Dakota for example sold \$100,000,000 of rural credit bonds bearing 6 per cent interest in 1920 at a premium. North Dakota has been in an extremely fortunate position so far as debt is concerned and the rest of the State was absolutely sound. Stability of North Dakota it will be found when these bonds have been able to dispose of them appears therefore to be chargeable principally to distrust of the Nonpartisan League's credit and power.

But it has not alone been the State credit that has suffered. North Dakota like other poorer agricultural communities dependent for development upon funds from outside has been a debtor State. A number of large lending institutions have controlled their loans of the State and the consequent reduction in exports has been a factor in limiting the remaining institutions to larger higher rates than otherwise would be possible. Moreover it has resulted in the agriculturalists being required to provide better security than was demanded formerly. The writer was kindly shown that the Subtreasury department of insurance and loan mortgage companies from North Dakota was due to loss of The Nonpartisan League but he has seen copies of letters which leave no doubt that the large of the three large insurance company which is carrying about \$1,000,000 in North Dakota loans and increasing its interests there desired to lend out more money in that State and has been taking care of demands only those of less under protest. An

¹ Propaganda committee claimed to agents of the League as the agent or offices of the American Federation received recent North Dakota legislation favorable to Disposed of and expected to organize Labor in.

Such the open shop does against North Dakota its industrial program and labor laws.

Issue state bonds on the bonds of the State of North Dakota. Michieled by J. Will St.

Deposit money surplus on the State owned Bank of North Dakota and break the monopoly of the money trust.²

officer, in a letter to one of the Company's correspondents in North Dakota on October 5, 1920, said:

"Your recent letters were brought before the Finance Committee this morning, but the members showed no disposition to change their attitude towards business from North Dakota."

This letter followed previous correspondence in which the Company had definitely stated that its inclination to lend further money in North Dakota was due to the policies of The Nonpartisan League. While declining loans in North Dakota even at high interest rates, the same company continued to lend money in other States. Another leading insurance company, under date of October 15, 1920, wrote to a North Dakota correspondent stating:

"We considered the question of investing in North Dakota farm mortgages, but the decision was unfavorable to the move."

This concern had some \$600,000 on loan in that State and was increasing its loans there before The Nonpartisan League came into prominence. There is indisputable evidence that a considerable number of other insurance loan and mortgage companies either stopped loaning in North Dakota or greatly curtailed their lending there and that such policy was largely prompted by fear of socialist legislation by the Nonpartisan League Government. Some of these institutions not only refused to consider new loans but even declined renewals and in some cases served notice of foreclosure. The compulsory introduction of The Bank of North Dakota as a middleman between public corporations and local banks has also tended to increase interest rates. As already explained, the banks formerly were able to secure deposits of public funds directly at an average of slightly more than 2 per cent., and in each case knew approximately when such deposits would have to be withdrawn. Under the new system however, the banks have had to pay 4 per cent. or more for public funds without any guarantee of duration and consequently have been under the necessity of holding higher reserves and of charging higher interest rates. In some cases the local banks have been forced to rediscount their paper in the Twin Cities and the higher rate of interest has been passed on to the banks' customers.

"ROBBER TAXES" LEVIED

Taxation in North Dakota has been substantially increased under the Nonpartisan League regime although it is difficult accurately to estimate the exact extent to which such increase has been due to radical legislation and to what extent to the natural increase in cost of government during the war. Chief Justice Robinson of the North Dakota State Supreme Court, in a recent letter to the Press, referred to "the rubber taxes" and remarked that under the laws of 1919 the assessments and taxes have been marked up to three times those of any former year. In February, 1919, a bill was passed providing for reclassification of assessments. Under such law, land, exclusive of structures and improvements thereon, railroads and other public utilities, together with franchises, and all real and personal property employed in connection therewith, bank stock, flour mills, elevators, warehouses, and storerooms of all kinds, buildings and improvements upon railway rights-of-way or sites leased from railway companies or other public utility corporations, and structures and improvements on town and

city lots used for business purposes, were put in class 1, as assessable for purposes of the General Property Tax, at 100 per cent of the full and true value thereof. Property in class 2 which was to be assessed at 50 per cent of its full and true value consisted of all livestock agricultural and other tools and much new gas and other engines and buggies, threshing machines and similar vehicles, automobiles, motor trucks and other power driven cars, boats and all water craft, harness saddlery and other structures and improvements used for homes upon farm and city property, and all other property. Another Act provided for exemption of all structures and improvements on agricultural land and improvements used as a place of residence by the owner or village town or city lots to the amount of \$1,000 household goods and for mchings to the amount of \$300 clothing or personal belongings of each individual subject to taxation to the amount of \$1000 owned a working man or man-hm to the amount of \$200 and tools equipment or other implements of a farmer to the amount of \$1,000. Legislation was also enacted imposing State taxes on income and inheritance.

Opponents of the League point out that in 1918 the State tax levy for all purposes was \$1,572,255 while in 1919 State taxes aggregated \$3,600,000 and that the exemption from taxation of large amounts of personal property has necessitated the shifting of the tax burden to farm lands. Mr. Kieslak who was State Auditor prior to the elections in November 1920 computed that the actual average increase for the entire State in the tax burden upon farm lands was 64.65 per cent from 1918 to 1919. It is also charged that Professor Roslyn, now Director of Publicity and Statistics for The Bank of North Dakota a Single Taxer from Utah was largely responsible for the new tax law legislation and that it is a distinct move in the direction of the single tax. This charge seems to be contradicted by the enactment of income and inheritance taxes, but it should be single tax idea in so far as it calls for exemption of improvements from taxation was not without its influence in the drafting of the new legislation. The assessment and taxation reforms appear to be nothing more than an appeal to prejudice and a bid for popularity with the masses. The increase in the amount of tax revenue is due partly to the increased cost of government by reason of higher prices generally and partly to the appropriations for State enterprises and salaries to the very considerable number of additional State employees engaged by the Nonpartisan League Administration.

Persons anxious to defend the credit of the State of North Dakota have pointed to the Land boom in Kansas, Iowa and other agricultural States in the West and Northwest and have expressed satisfaction that these unfortunate conditions have not prevailed in North Dakota. There probably always have been and always will be certain unfortunate consequences of rapid enhancement of the selling values of land or other property of any kind but it is apparent that the general increase in the value of farm lands which took place in practically all other agricultural States of the United States and also in Canada was retarded in the case of North Dakota. The deduction seems to be warranted that the operations of The Nonpartisan League directly or indirectly were a factor in discouraging outside investment in North Dakota farm lands and in keeping land prices low as compared with those in other States.

"WHILE THE GOING WAS GOOD"

There are indications that the questionable operations and ethics¹ of certain of the leaders of The Nonpartisan League and the State Government of North Dakota have had a harmful effect on the moral standards of public employees. To what extent the Civil Service of the State generally may have been influenced is not yet apparent. But there is evidence that certain employees of League officials or the State have registered at hotels under assumed names. Mr J R Waters has testified under oath that the purchasing agent for the North Dakota Home Builders Association showed him a bill of \$1,600 in bills stating that such amount represented the take off in one day's business and that said purchasing agent claimed to be getting \$4 per thousand feet of lumber purchased by the State and that he believed in getting the money "while the going was good". A letter signed by the Deputy Commissioner of Immigration appears to show that commissaries agreeing \$100 per acre between the seller and purchaser of North Dakota lands were contemplated by him. He also stated I can handle all the idea through one of the banks here that is very friendly to the League here. The example which has been set by high officials might hardly be expected to have other than demoralizing influences. Further investigation may show whether there were others who believed in getting money "while the going was good".

Some of those who are still loyal to The Nonpartisan League are admitting that serious mistakes have been made. Mr Walter W Leggett a representative of the League in an address in New York on February 20th reported to have said that the officials of The Bank of North Dakota made a mistake when they loaned so much money to the Scandinavian American Bank of Fargo, in which many officers of the League were interested. By this act the officials of the Bank had themselves open to just censure, he added. It was also a mistake said Mr Leggett for the State mill to sell flour on consignment to the United Consumers Stores Company Inc in which virtually all the stock was held by Nonpartisan Leaguers. While there was nothing criminal in the sale of flour on consignment it showed political favoritism to sell it to the States Company in this way. Even Mr Arthur Le Sueur prominent Socialist leader, I W W Attorney and for a time Executive Secretary of The National Nonpartisan League has criticised recently the League Administration in North Dakota on the ground that the industrial programme is being controlled and managed by politicians and not by experts or business men . . .

Transmissions by the House Agricultural Committee have disclosed other interesting transactions. It has been shown that Bank Loan No 38 in amount of \$2,200 from The Bank of North Dakota was made to Mr John N Hagen on security of a mortgage on his farm also that one of the houses built by the Homebuilders Association was for Mr Hagen. These contracts may have been entered into without knowledge of a complete fact. It should be noted that Mr Hagan is State Commissioner of Immigration and Colonization and a member of the Industrial Commission which controls both The Bank of North Dakota and the Homebuilders Association and also that the North Dakota Statute provides that No member of any board of trustees or managers, or any officer or employee of any state educational, charitable or correctional institution now existing in the State or which may hereafter be established by law shall be interested directly or indirectly in any contract, purchase or sale for or on account of the institution with which he may be connected. Violation of this law is to be considered sufficient cause for removal from office.

¹ See The New York Times February 21, 1931 page 8

Reference already has been made to the serious banking situation in the State for which The Nonpartisan League must take at least a considerable share of the responsibility. The full effects and costs of the bank failures cannot yet even be estimated. There may be other bank failures, and indeed the list of closed banks has been growing steadily.

So serious is the situation that the banks in many instances find it to be unable to finance the purchase of seed for this year's crop and the North Dakota Legislature recently passed a resolution requesting Congress to extend Federal aid to the farmers of the State.* North Dakota owes much more than a generally recognized to the banks of Twin Cities for generous support in the period of difficulty. Minneapolis and St. Paul banks have helped the deserving banks in North Dakota to the limit of their ability and prudence.

The significant effect of Nonpartisan League propaganda has been the development of the most bitter hostility between the farmers and the business interests. To an increasing extent the trade of the farmers has been diverted from local merchants to mail order houses in the Eastern States. Some of the newspapers supporting The Nonpartisan League have approached fanaticism in charging the banks and "Big Business" generally with conspiracy to withhold credit from the farmers in order to depress the price of farm products. Certain of these papers have practically gone so far as to advise the farmers not to pay their bills to local tradespeople. One leading merchant in Fargo stated that the retailers were dependent upon payment from the farmers. His company had been liberal in granting credit to retailers in some cases six months' credit being given, but the ability of jobbers or manufacturers to collect from retailers is dependent upon ability of the retailers to collect from the farmers, and this business man had decided that only the usual terms of credit would be allowed if the November elections showed that The Nonpartisan League with its policy of class war was supported by the farming community. Newspaper rivalry is also exceedingly bitter and a business boycott has been openly advocated and practiced by both The Nonpartisan League and its supporters on the one hand, and opponents of the League on the other.

IN TWO HOSTILE CAMPS

On the train from Fargo to Bismarck the writer made inquiries from a fellow traveller as to the hotel at Bismarck. The reply of the traveller who it appeared was a representative of a manufacturing concern, was highly significant. He said:

"The service at the _____ that is the Bolshevik hotel, you know - pretty good, but none of us travelling boys stay there. We go to the _____ When asked for an explanation of this rather startling statement, he said:

The _____ referring to the hotel already described by him as Bolshevik) is where the Nonpartisan League people all stay. They have no use for travelling men and say that we are simply parasites and of no use to the community. They want to legislate us out of existence."

Bitterness of feeling such as was indicated by this conversation appears to be general throughout the State and can only be explained by the virulent propaganda of The Nonpartisan League.

*The House of Representatives at Washington on February 28, 1931, made an appropriation of \$2,000,000 for seed grain loans, on the understanding that such loans should be confined to the States of North Dakota and Montana.

It is difficult for a Canadian accustomed to the Canadian system of responsible party government to understand a political situation such as has developed in North Dakota. The Secretary of State, State Auditor and Attorney General in the last Administration were originally endorsed by The Nonpartisan League and elected on the victory of that organization at the polls in 1916. Later they disagreed with Mr. Townsend, the Governor, and other Nonpartisan League Government officials and were then brought The Nonpartisan League from within the Government. The State Auditor for example has been editing a publication which attacks The Nonpartisan League, the Administration and a lot of media with a bitter and general personalities article if ever intended option and the result was on the side of the other national leaders. The Nonpartisan League Administration has retributed by requesting their relatives offices for refusing the appointment for their departments and by threatening their functions in that an organization would allow another party preferable to the Administration's present. At the last primary election the Attorney General was successful for endorsement as Governor on the Margolian platform in opposition to the Farmer's organization. The same editorial record is published a book Under Penalty - the Anti Tax Law of North Dak to Protecting of Tax Payers in the Legislature in which he challenged action and arraigned Mr. Townsend, the Governor of the State and all their associations and working men. Even the faculty and student bodies of the educational institutions of the State as, including the University and the State Agricultural College have been divided into belligerent pro League and anti League groups. The situation would appear to be almost identical in regard to modern history in a party with the division within the Government and among all classes in the State in the arrangement of The Nonpartisan League and the leaders which is now being exhibited by persons who formerly occupied high and eminent positions on the wings of Mr. Boundary and the Nonpartisan League organizations. Mr. W. Bruntin for instance was formerly private representative of Mr. Townsend while Mr. J. R. Watson was manager of The Bank of North Dakota. Both these men are now using their utmost powers to dismember and discredit the League and in fact have made charges of a most serious character against Mr. Townsend and his associates. The fact is that partial dismemberment have been effected that the State of North Dakota is today a veritable no man's land in politics and administration. Probably under any system of government in which the administration or officers as well as the members of the legislative body are elective and not responsible to the Legislature there will be considerable friction and strife. But probably nowhere else on earth and possibly at no time in the history of governments could one find a government in which there has been more strife and greater bickering than among the elective officers of the last Administration at Bismarck, N.D.

The State of North Dakota could hardly be charged with conservatism, yet that belligerent has been among the most severe critics and opponents of The Nonpartisan League's actions in North Dakota. The Governor of North Dakota in a magazine article has strongly denounced the League and its programme in North Dakota. Representative H. C. Jones of North Dakota speaking in the House of Representatives at Washington recently, in reference to the proposed appropriation for seed loans to needy farmers

in North Dakota and Montana, "victims of drought and radicalism" said

"In North Dakota a few years ago there gathered a great bunch of political agitators, long-haired socialists, I.W.W. Bolsheviks of a bunch, and they entered into a line of experiments that have absolutely bankrupted the people of the State and its Government to such an extent that you could not sell a North Dakota bond on any market in the world."

The visitor to the headquarters of The Nonpartisan League meets a cordial welcome and upon request, is handed a generous supply of propaganda, including a pamphlet bearing the caption "Crazy-Land." A sub-title describes the contents as a "gripping story of North Dakota achievements, by a noted Chicago writer who was of the opinion that people of this State must have been insane to enact so many laws for the benefit of the people." It would seem that the designation of "Crazy-Land" has an application in a different sense than was intended by those who coined the phrase and applied it for.

1. The people of North Dakota gave into the hands of a clever but apparently care-principled adventurer almost unlimited arbitrary power.

2. Socialists and irresponsible theorists have been imported in large numbers and many of them placed in positions of large responsibility.

3. A daring programme of socialization has been commenced under the aegis and in the name of the State, and public funds and public credit have been used for the experiment. That programme already has had disastrous consequences and the full results have not yet appeared.

4. Factional strife is everywhere apparent. Those who support the Administration today may be tomorrow its most bitter enemies. One hardly knows whom to believe or for how long.

BEFORE THE LEGISLATURE CLOSED

The 17th Legislative Assembly of the State of North Dakota came to an end at 6:40 a.m. on March 5, after an all night sitting in which the hands of the clock were turned back so that it failed to announce the hour of 12:00 midnight, at which time the session legally ended. The closing scenes in the House of Representatives were comparatively orderly. There were two warm contests during the day and employees in the House had been instructed to remove ink-wells and sundry other objects from the desks of the members, but the precautions proved unnecessary. There were, however, stirring happenings during the closing hours of the Senate, which were featured by brawls, fist fights, and other disorderly scenes and language. During the whole of the session the House of Representatives and the Senate had been in bitter conflict. Each had appointed a committee for the purpose of examining witnesses relative to the audit report which was made in accordance with the initiated law passed at the last general election. The Senate subpoenaed the two Irish attorneys who were counsel for the House Audit Committee, but the House instructed such counsel to ignore the subpoenas. On the closing night of the Senate session the two gentlemen were arrested in a theatre at Bismarck and arraigned before the Senate to testify. One of them refused to submit himself to the oath as a witness on the legal ground that he was under arrest and held as a prisoner. Accordingly the Senate passed a resolution dismissing the warrant of arrest against him and the attorney walked from the room.

The Nonpartisan League supporters in the Senate called upon the Sergeant at-Arms to detain him, but anti-League forces held the corridor and the attorney escaped in the resulting disorder and excitement. The remaining attorney informed the Senate that he would not answer questions and added that all the Nonpartisans between Hudson Bay and the Rockies could not make him do so. The Nonpartisan majority in the Senate carried a motion to send the attorney of the House of Representatives to jail until he would answer questions. Action on his behalf was taken at midnight in the form of an application to Justice Birdeell for a writ of Habeas Corpus, on the ground that he had been committed to jail in violation of his constitutional rights, without warrant of law, without charges of any nature being filed against him and without opportunity to meet those charges whatever they might be. As the court was directing the dismissal of the prisoner on the ground that his detention was illegal and without authority, the Sergeant at-Arms received a note issued by the President of the Senate ordering the counsel's release. One public fight occurred at the doors of the Senate and a private fight between the former State Auditor and a son of the State Bank Examiner was described by a local newspaper as a "sort of Cook's tour through the Supreme Court Law Library."

Among the many measures enacted by the 17th Legislative Assembly of North Dakota were the following:

1. A comprehensive depository act, placing The Bank of North Dakota and private banks on an equality in competition for deposits of public funds.

2. Author is for issuance of \$250,000 of "North Dakota Electric Utility Bonds," to provide for establishment of an electrical plant to supply electricity to State institutions in Bismarck and sell electric current to Bismarck citizens.

3. Amendments to the tax laws reducing exemption on residences from \$1,000 to \$500 and limiting exemption on farmers' implements or mechanics tools to \$500. The exemption of farm improvements from taxation was retained.

4. Provision for the levying of a tax of 2½ per cent. per year on the gross amount of premiums received by every insurance company doing business in the State during the previous year.

5. An act making unlawful smoking in dancing rooms or hotels, saloons, restaurants and other public places frequented by both men and women, and providing a fine for violation.

6. An act making it unlawful for any person to have in a retail store more cigarettes than he would use personally and making such possession by a clerk or proprietor of a store prima facie evidence of violation of the anti-cigarette law of the State.

FINDINGS OF AUDIT COMMITTEE

The compromise which was made with regard to appropriations was not satisfactory to either the Lower or the Upper Chamber of the Legislature or to The Nonpartisan League or its opponents. Only \$25,000 was provided for the Industrial Commission while the Home Building Association was given only \$15,000, whereas the Senate had approved a grant of \$100,000. The Legislature adjourned without making provision for payment of the auditors who prepared the report.

on The Bank of North Dakota and the State industries following the passage of the budget bill at the last election. These reports have been made as a result of the hearings of the Audit Committee of the Legislature. The report of the House Audit Committee is mostly directed to the affairs of The Bank of North Dakota. Among other things it states:

The Committee further stated

The *Journal of Clinical Endocrinology* is a refereed journal of the International Society of Endocrinology.

The National Capital League The League of Nations Commission
United States and the other New Publishing Company of League
The Publishers' and Authors' Bureau The American Publishing Company
The New York League The National Book Bureau, the United States Book
Federation, the American Booksellers Association

This is a very important point, and it is one which I have been unable to make clear in my previous communications. The only reason I do not do so now is that I have not had time to go over the matter again.

This indirect evidence clearly shows that large deposits were leached by or deposited at least in large measure by ground water in the region.

In launching the campaign, the government used its political connections to recruit and train the League's leaders. The wife of one of the principal leaders, Mrs. Elizabeth Sherrill, was appointed to the New York State Board of Education, and her husband, Mr. George Sherrill, became a member of the State Assembly. In addition, the League's executive director, Mrs. Anna E. Williams, was appointed to the State Board of Education, where she served throughout the campaign. This government support was strengthened by large contributions and legal fees from a number of prominent business leaders in the State, all based on the League's campaign against the banks under the League and its coordinate and allied corporations.

CHARGES AGAINST THE INDUSTRIAL COMMISSION

The report disclosed that of the \$2,000,000 of bonds issued to provide the capita of The Bank of North Dakota only \$10,000 worth had been sold to December 1, 1921 and commented on the spectacle of having the good name of North Dakota held up to ridicule by the alleged offer of a mere nothingness amount like \$10,000 to under-
paid interests for fraudulent use of the funds offering his services in the sale of these bonds. The report also set forth that the primary object of The Bank of North Dakota appeared to have been the assembling of public funds into a channel that would make them subject to the

absolute and unrestrained control of an elective body, to be known as the Industrial Commission. The power of this body in the matter of the use and control of such funds is to all practical purposes without limit."

The majority Senate report absolved the Industrial Commission from all charges against it. The minority on the Senate Committee, however made a report in which it was held that the general purpose of the hearings before the Senate Audit Committee had been not so much the investigating of the affairs managed by the Industrial Commission but to seek to impeach the testimony given by citizens rather than determine whether or not the conditions laid before the Committee in fact existed. The minority reported that the actions of the Industrial Commission since its establishment in March 1919 have been governed almost wholly by political considerations. It is also found that the Industrial Commission—

Permitted the employment at The Bank of North Dakota of a policy of loaning to the distribution of public funds to private banks that is largely responsible for the fact that today The Bank of North Dakota cannot meet its obligations while some departments of State have been virtually paralyzed by default to their State warrants due to payment of their accounts.

Failed to establish proper control over the North Dakota Homebuilders Association so it is now clear that a large number of officers are hopelessly muddled.

Appointed officials to manage the State Rent that did not appear to contracts between that will and private merchants of the State especially with the Consumers' Co-op Store Company which is a subsidiary organization of The Cooperative League with the result that various losses were sustained by the State.

Established a policy at The Bank of North Dakota by which approximately \$1,000,000 of the one dollar bills being \$4,000,000 against which banks are against a group of 17 banks most of these banks being classed as "League banks," or at least "friendly" in a political way.

Approved and permitted also at The Bank of North Dakota a no deposit public bank or private bank to the effect that funds approved mostly \$1,600,000 of these funds are held up in another bank the Standard American Bank of Fargo controlled by The League Exchange another non-public paper subsidiary corporation affecting the most terrible manner of the policy of favoritism."

WHAT THE INVESTIGATIONS PROVED

The Fargo Forum, in its issue of March 8, published what appears to be an excellent summary of what the investigations actually proved. It is reproduced herewith in part:

1. The Bank of North Dakota was established on sand. Its capital stock consisted of sand and unsaleable State bonds which were placed at the Bank and virtually sold to its depositors. No private bank could be permitted to open on such a foundation.

2. The Bank of North Dakota followed a definite policy of subduing friendly banks with State funds. By secretly created banks which were willing to make big loans to League leaders and to League enterprises were favored with redresses and loans of public money out of all proportion to their share of such funds. One Fargo bank for example got two-thirds of all the money deposited in all the banks of the country despite the fact that it was comparatively a very small and insignificant institution. This policy amounted to an indirect financing of the private enterprises of the League leaders with State funds.

3. This policy of subduing friendly banks was carried out even when there was every good reason to believe that the banks so favored were innocent or at least shaky. Sound banking principles were ignored if they interfered with this policy of favoritism. The best evidence of this is that more than \$1,000,000 of public money is tied up in insolvent banks and almost all of this is in so called "friendly" banks.

6. The announced aim of The Bank of North Dakota of underwriting public funds in such a manner that the expenses must in most of them exceed the largest share was absolutely ignored. I can name the highest county in the State and had a tendency to make greater charges than it deposited. In other words, the power resources of the State were forced to lend money to the extent to be placed in longer-term loans.

7. The Bank of North Dakota is required to limit the lending power of the State according to the total of the capitalized public funds in the complete discharge of all the purposes for which they were created. It has had up more than \$10,000,000 of public projects which have had the other purpose of making real estate and all sorts of other interests in which not a dollar of funds has been loaned for those purposes and not a cent paid. The figures given above on the history will again be repeated. \$10,000,000 which has been diverted and spent upon additional \$10,000,000 to enable the money to be invested "privately" banks.

8. The Bank has as many over hundreds of thousands of dollars. It claims to have a paper profit of some \$200,000 but that is based on the theory that every citizen who has made well by 100 per cent would "nothing" is charged off for losses or damage and nothing has been charged off for losses on the investments. And even the so-called profits were adjusted they are nothing at all except as far as the people of the State for whom no service has been rendered by the Bank.

9. Instead of making the public funds of the People available to the people of the State and protecting them from the most discriminatory uses. The Bank of North Dakota has been one cause of the steady process all these funds to these men. This has been done openly in case there is a private, their private interests. One of the three men has even gone so far as to lend money to himself in buying a house and has made himself a loan on his own home. Both of these acts are a direct violation of the State laws.

10. By freezing the capitalizing of the State and all the public subdivisions in and around the oil fields of production and oil fields operating for which the taxes were levied. The Bank of North Dakota has forced the State to the verge of complete paralysis of its governmental functions. It will only need a return question as to whether or not the various public office holders can be held responsible for the fact that those he supposed them have been levied and paid.

11. On the same mismanagement of public funds. The Bank of North Dakota has destroyed the confidence of American investors in State bonds, and because they doubt the soundness of North Dakota but because they are afraid to assume their money to such a bank of financial charlatans.

But it has been established beyond doubt that the oil barons still of Texas was conducted at a loss of more than \$200,000 despite the fact that it was exempt from taxes and despite the fact that it certainly sold their bar to less and paid no more for what than privately owned oil.

It has also been established that the League mob was used in the same way that The Bank of North Dakota has used to further the private interests of the League gangsters.

The Homeowners Association presented the entire spectacle of all, despite the fact that no effort were barely touched upon.

12. It had no cost accounting system and nobody knew what any individual house cost.

13. Short quantities of supplies were bought at peak prices and are never less than they are.

14. It was barged and not denied that the purchasing agent of the Association got a take off of \$10 a thousand on all timber bought for the State and that he made the statement that he made a profit of \$10,000 on one day's business.

15. The Association used up all of its appropriations in one year. This appropriation was supposed to be a revolving fund but none of it was generated back again for the houses and nothing was charged the purchasers of houses for their share of the overhead. The newspaper said that

16. No payment was paid to the amount of \$10,000 on the cost of houses. Mr. Lander's house for example is well worth \$20,000 today.

The Fargo Forum concludes that,

"The industrial experiment as far as it has progressed is a ghastly failure.

"We are at the end of the road and the end is a most painful. We are on the road up to the hills and the State Administration's only solution of our difficulties is to go right."

Since the closing of the Legislature early in March the difficulties of The Nonpartisan League and its allied institutions have been growing. The State Supreme Court has decided that The Bank of North Dakota is a private corporation and that garnishments of funds deposited by the State Bank in private banks are valid. The sum of \$1,000,000 from the Merchants Loan and Trust Company of Chicago to the Bank of North Dakota secured by hypothecation of \$1,000,000 of State of North Dakota bonds became due on March 15, apparently without any arrangement having been made for payment of the loan or for extension of time and with The Bank of North Dakota lacking sufficient cash to meet the obligation. Still another complication has been the filing of voluntary receivership proceedings by the Consumers' United Stores Company which was organized by The Nonpartisan League and which is said to have collected some \$2,000,000 from farmers in the State. Heavy loans were made by the Standard American Bank of Fargo and other banks throughout the State to the Consumers' United Stores Company on the latter's notes. Anti-League forces are circulating petitions for a recall election aimed at the Governor, the Lieutenant Governor, Attorneys General, Commissioner of Agriculture and Labor, three judges of the Supreme Court, and the State Auditor. Petitions are also being signed for initiation of seven laws with provisions for closing The Bank of North Dakota and restricting the industrial programme. A convention of forces opposed to The Nonpartisan League has been arranged for Devils Lake on March 30-31 on a call in which the Chairman of the Republican and Democratic State Central Committees participated. There is some difference of opinion as to the advisability of instituting an election at this time in view of the fact that the Industrial Commission still has some public funds which could be used for election propaganda purposes, that the story of the League's operations is not yet complete so that a recall election now does serious difficulties and there would be some uncertainty as to the outcome and finally that the Nonpartisan League Government is now incapable of doing further serious harm. A recall election probably will be delayed in any event until the Independents have assurance of a market for State bonds and are in a position to offer certain relief from the present financial difficulties, if The Nonpartisan League be deposed by the voters of the State.

"Townleyism" in Canada

It cannot be doubted that the radical programme and propaganda of the State of North Dakota have had an influence in Western Canada. The National Nonpartisan League's Publicity Manager who also is Editor of The Nonpartisan Leader said in a letter under date of January 12, 1921: "We now have several thousand supporters in Western Canada Provinces but they are not members of The Nonpartisan League on this side or the United States. They merely take our magazine.

At various times there has been considerable discussion relative to activities in Western Canada for which The Nonpartisan League was supposed to be responsible. In a letter from Mr. Lambert dated April 10, 1917 and published in The Leader (Ottawa) of April 15, Mr. Norman Lambert, now Secretary of the Canadian Farmers' Association but then Staff Correspondent of The Leader told of a new and important movement of considerable importance which he said had arisen in the West under the name of the Farmers' Nonpartisan League. Mr. Lambert stated that more than 10,000 members had been enrolled in Saskatchewan where the movement had been organized first and that in Alberta a strong force of organizers was at work. He added:

A man named S. J. Haught, one of the strongest promoters of the Farmers' Nonpartisan League in the United States, came to Saskatchewan late last year and made his headquarters at North Battleford. There he spread his gospel of socialism and won many converts of farmers. This resulted especially particularly in the Western provinces but among others he came to the West from the United States back in North America and after the American election seems to have become the dominating factor in the movement.

Mr. Lambert went on to say that the membership fee in Western Canada was \$15 and that out of each fee the organizer was entitled to a commission of \$4 if the farmer going into a central fund at North Battleford. He continued: "One of the demands upon the land is made by a small four page weekly newspaper called The Nonpartisan Leader which is being published in North Battleford as the official organ of the League.

The programme of the Farmers' Nonpartisan League of Canada as outlined by Mr. Lambert undoubtedly was modelled after the legislation and platform of The Nonpartisan League in North Dakota. Mr. Lambert said:

"Having gained control of the North Western agricultural the Farmers' Nonpartisan League would proceed to borrow \$100,000,000 on the strength of the credit of the Province * that of that amount \$25,000,000 would be devoted to the establishment of mills which would grind excess barley of wheat grown in Western Canada and ship it east to the States. Some 15,000,000 bushels contained in the Western grain crop a year, grading average for wheat would be appropriated for the Province. Another \$25,000,000 would be used in purchasing farms for leases while the balance of \$50,000,000 would become the basis of a system of rural credits."

The Canadian Annual Review 1917 gives the name of the organizer of the Farmers' Nonpartisan League in Canada as Mr. S. J. Haught (not Haight) and places the membership in April 1917 at 3,000 of which some 2,000 were in Saskatchewan and 1,000 in Alberta. In that

*The plan is another instance of unadvised talk on the ability of the Farmers' to borrow on no credit. The scheme would not of course increase the total amount of money available for loans.

year the organization contested seven seats in the Saskatchewan Legislature, elected one member in Saskatchewan by acclamation and elected two members in the Alberta Legislature. The organized farmers in Western Canada withheld support from the League. At the annual convention of the Saskatchewan Grain Growers in Moose Jaw in February 1917 a representative of the Farmers Nonpartisan League of Canada outlined the League's programme; he received little encouragement, for, in the words of Mr. Lambert: "The grain growers in the West have flourished on co-operation. They deliberately made the choice between co-operation and Government ownership several years ago. The more influential newspapers of the West also opposed the new movement of United States origin." The Member elected by the League to the Saskatchewan Legislature promptly associated himself with the dominant Liberal party. The League nominated three or four candidates for the Dominion Parliament in the general election of 1917 but they were defeated.

"A PURELY CLASS MOVEMENT"

In Alberta, the Nonpartisan League enjoyed an active existence until the summer of 1919. Up to this time Mr. James Vier who is a representative of the Nonpartisan League in the Provincial Legislature had vigorously campaigned throughout the Province in advocacy of the objects of the League and in opposition to the United Farmers of Alberta. When the latter decided to go actively into politics, however, the executive of the Nonpartisan League suspended independent activities and withdrew its organizers, practically merging in the new direct political action division of the United Farmers of Alberta. A well-informed observer in Western Canada, himself a strong supporter of the farmer movement, writes:

The political movement of the United Farmers of Alberta is a class movement to an extent quite unknown elsewhere in Canada, and presumably this meets the desire of the League, but in Saskatchewan and Manitoba where the farm movement is visibly inclining ought to take in other elements of the population in order that it may be a real political party. I should not be surprised to see the Nonpartisan start up again as a purely class movement.

It was thought that the League movement had completely died out in Saskatchewan, but recent developments indicate a revival of activities and the renewal of strong propaganda. The Manitoba Free Press reported that a series of fifteen meetings was held in November 1920, in the Yorkton District and added: "Agents are canvassing the farmers and asking for a contribution of \$15 from each and another series of meetings is planned for the month of January. Active propaganda work is being carried on through some of the local papers and through the distribution of special literature." The same newspaper in its issue of January 21, 1921 reported that the provincial and local organizers for the Nonpartisan League spoke at a meeting recently held at Goodale, and that Mr. J. A. Gardner M.P.P. who was present by questionnaire the Nonpartisan speakers drew the information that the \$15 subscription was divided as follows: \$5 to the canvasser for his services, \$5 on newspaper publicity, \$2.50 on newspaper advertising and \$2.50 on election of candidates. One of the audience is said to have demanded the return of his \$15, and after four hours of turbulent discussion the meeting broke up in disorder. The Saskatchewan Phoenix in its report of the Goodale meeting quoted the Provincial Organizer for the Nonpartisan League as stating that, "The League exists solely for the purpose of

stating the Martin Government and putting in its place a government of farmers and independents. The central idea of the organization was said to be in Saskatchewan. The League's recent activities in Saskatchewan appear to be principally on the Northeastern part of the Province among the Ruthenian and other foreign-speaking populations. At some of the meetings the claim has been made that the League has as many as 11,000 members in Saskatchewan.

The activities of the Farmers Nonpartisan League of Canada appear to have been inspired by the same philosophy as that behind The Nonpartisan League in the United States and the platform and methods of the latter were copied in Canada in very large measure. Nevertheless it has not been possible for the writer definitely to establish that there was any official connection between the two organizations. In fact the suggestion that any such connection exists is strongly denied by officials of The Nonpartisan League in the United States. Mr. Oliver S. Morris, Nonpartisan League Publicity Manager and Editor of *The Nonpartisan Leader*, Minneapolis, in a letter dated January 12, 1933, says:

The National Nonpartisan League which has an organization in thirteen Western and Northeastern states, has no organization in Canada. We did not start in Canada, and there is no present day organization in Canada and has no plan for starting one.

I know the independent farmers in North Dakota N. E. Haught had plans in North Dakota to organize in The Nonpartisan League. I am told that Mr. Haught was one of the original founders of The Nonpartisan League on the side of the West. He was the spokesman of the West, from thousands of people who joined the League and were anxious to have representation and have their voices heard. It is true that he left North Dakota to go to the East, but it is also true that he was instrumental in getting the Nonpartisan League organized in North Dakota in 1931. I can state fully that Mr. Haught is dead. He never held any position of responsibility in The Nonpartisan League and was never a leader in the movement.

Some years ago there was a paper published in Canada, I think in Saskatchewan Province, which was the official organ of a Western Canadian independent movement along similar lines to The Nonpartisan League. It is no longer in existence, but it carried on the name of The Nonpartisan League and used some such name, but I do not know what it was called at the time. The paper published by the Western independent movement about the same age as The Nonpartisan League in the West, was called the Western Nonpartisan League. The Western Nonpartisan League replaced the old independent like day-to-day paper of the nonpartisan movement, and it was an independent paper and there was no connection with the organization and none I do not know which became of the so-called Nonpartisan League of Western Canada.

The Secretary of the Independent Farmers Association of North Dakota, who is one of the leaders of the opposition to The Nonpartisan League, also is without knowledge or record of Mr. N. E. Haught or Haught's

THE EBENEZ OF "TOWNSLEYISM"

It would appear that co-operation among the farmers of Western Canada which has met with more measure of success provided a safety valve which was lacking in North Dakota. The Canadian farmers attempted to co-operate because themselves to grapple with the alleged monopoly of marketing their grain while in North Dakota they owned their granaries until such time as able but unwise and in some cases *very* unprincipled leaders appeared on the scene and proceeded to work out their own ideas with money supplied by credulous angry and

well-to-do farmers. It cannot be disputed however that there has been much misunderstanding in Western Canada relative to the largest agricultural interests and interests of industrial consumers and financial organizations. Industrial interests have been represented as opposed to agricultural interests and individual and more or less accidental instances of large profits by mineral mining or other companies have been magnified out of all proportion to their importance. It ought to be pointed out that just such an obvious propaganda as this prepared the ground in which the "Pro-Soviet League" of North Dakota has grown a crop of unprincipled creditors charged with higher interest rates and class antagonism. Farmers generally have had with important problems more happily perhaps than have their neighbors to the South. But the high taxes exacted in the misunderstanding of a number of well-meaning persons appear to result finally in disaster. Farmers in the short term will be purchasing less and less grain to prepare the way for a Canadian Utopia. In essence it comes down to this business and especially it is evident to what has been said the business. It is the spirit of farm in these of suppressed hopes against these more successful brothers. It is the small man's distrust of business. It is the Canadian spirit which preserves and maintaining denunciation of all successful business men as predators. And I believe in this error appears to be a most unimportant factor in Canadian politics.

Nothing could be more unfair for example than much of the criticism of the Canadian banking system for no other reason than that it is big and that its functions are not properly understood by many of the people. A study of actual banking practices in both countries shows that the legitimate needs of Western Canada are much better served with banking facilities than is the case in North Dakota. Interest rates on most of Western Canada's farm loans are generally lower than the going rate in North Dakota and the amount of time it takes to receive a loan of credit is much likely to measure of other normal conditions of society and the state in Western Canada than in North Dakota. The average amount of capital and surplus of the banks in North Dakota according to the latest reports was slightly more than \$25,000. There has been little expansion and each bank is limited to its own resources especially in the small towns. In general at any one time most of the persons with whom a small town bank in a rural district has dealings either have money for deposit or are willing to take it. By linking up, or opening up branches a Canadian bank is able to transfer surplus funds quickly from one district to another districts where funds are required. Every branch bank in Canada has helped at the resources of all the branches which gives not only a much greater assistance directly but also makes possible a more stable position in regard to loans. It is obvious too that the Canadian banks are able to provide loans in comparison with new districts at lower rates than are possible in North Dakota. Mr. Wm. Beeson formerly Superintendant of Western Branches of The Canadian Bank of Commerce in an address at Dickinson on January 23, 1918 stated that 60 out of 92 present country branches of The Canadian Bank of Commerce in Western Canada were not paying expenses and some were a long way from paying expenses. A bank opened in North Dakota under similar conditions would from the outset charge a sufficient rate of interest on loans to enable it to pay its way. Its overhead is higher than that of a Canadian branch bank and it has neither the connections nor the experience

to enable it to perform many of the incidental services which are done by the Canadian branch banks often without any charge.* The small independent unit bank is not financially able to operate at a loss even for a comparatively short period. As a result it is likely to turn more or less to speculative operations. North Dakota has probably 30 per cent more banks than would be required under a branch banking system and the smaller number could give service to legitimate borrowers far superior to that of the present small unit banking system and at lower rates. The Legislature of North Dakota has reduced the legal rate of interest in that State from 12 to 10 per cent and the result has been to curtail loans to farmers. The maximum rate for loans by most of the Canadian banks has been 9 per cent everywhere except in the far North, where population is sparse and branch banks are operated at extraordinary expense, so that a somewhat higher rate has to be charged.

DANGER IN SMALL BANKS

There has been some demand, particularly from Western Canada for substitution of independent banks for the branch banks now in operation. Such demand is made short sightedly and without proper understanding of the advantages and dangers of small independent unit banking institutions. Although the independent banking system of the United States has been greatly strengthened by the creation of the Federal Reserve Board and the divisional Federal Reserve Banks, nevertheless even yet the weaknesses of that system under emergency conditions are in striking contrast to the efficiency and strength of the Canadian branch banking system. Under the banking laws of the State of North Dakota a bank may be organized with a capital as low as \$15,000, and formerly the minimum was even less than that sum. A person with a small amount of money may organize a local bank with a few of his friends as the other shareholders and may have himself and his friends appointed as the officers of the bank although they may be almost entirely lacking in banking experience. Such a system obviously does not give any assurance of permanent sound business administration, or conservative policy such as is provided under the Canadian system of larger banks. The principal argument advanced in support of the unit bank system is that it promotes the building up of the local territory to a greater extent than does the branch banking system. The answer must be obvious. A small local bank from the outset is hampered by local affiliations. The management has its horizon limited largely by the local district. Loans are made locally for the reason that there is no efficient organization for lending money elsewhere. Under the Canadian system, money is much more fluid and loans are directed to those places where there is the greatest need for them and where the opportunity appears to be greatest for profitable investment. Surely it is not to the credit of a banking system that it keeps local money within the local district, if that money can contribute more effectively to the general good if employed elsewhere. The agricultural communities in Canada and the newer communities in particular do not fully appreciate the advantage which the Canadian branch banking

*Mr. A. E. Phillips, Assistant General Manager of the Imperial Bank of Canada in a recent address at a gathering of bank managers pointed out that "a many mistakes & great cost of work which should properly have been paid for was being done for nothing." No one who is familiar with the practice of the Canadian banks can challenge such statement.

system has been to them in collecting surplus funds from industrial and other districts where deposits are in excess of needed loans and making that money available as working capital for farmers who can use it profitably.

To some extent the Federal Reserve system has broadened the horizon of local banking institutions in the United States but their vision still is largely local whereas that of the Canadian banks is primarily national and to some extent indeed is becoming international. There was a time when banking was almost entirely local but that stage has been passed. Finance and the business of banking have been organized on a world scale and those responsible for financial and banking policies ought to have world knowledge. In any country there are only a limited number of persons who by temperament and training are qualified to serve as leading executives in banking administration. The local banking system in the United States leaves the banking business to men of little or no experience in the case of the smallest institutions. On the other hand the Canadian banking system provides a means of testing the qualifications of bank employees and promotion to the higher offices for those who show unusual aptitude. The banker of mediocre ability still has a place in a branch institution but the Canadian system supplements the judgment of the local banker as far as general policy is concerned by the judgment of a few selected high executives thoroughly trained in the principles and practices of banking with world information at their disposal and with the ability correctly to interpret such information and translate it into sound and wise policies. The Canadian system is perhaps somewhat less personal than is that of the United States but therein is a source of strength and efficiency. Moreover under the Canadian system the local vision of the branch bank is checked and adjusted to the broader national outlook and wider knowledge and understanding of the head office.

PANIC TO AVERT PANIC

A comparative study of the operations of the banking systems of the United States and Canada under conditions of industrial and general economic readjustment discloses important advantages of the branch organization. Six months before the break in prices occurred last Fall the Federal Reserve Board in the United States had been urging caution in making loans and pointing out the dangers of any further over-extension of credit. There are some 8,200 National banks in the United States together with about 17,000 State banks and many trust companies which do a general banking business, and the Board's advice was practically unheeded by the multitude of small banks. The only effective means which the Reserve Board had of controlling the situation was by a sharp advance in interest rates on rediscounts. The effect of the drastic action taken by the Board was exceedingly severe and conditions bordering on panic resulted. It may be that the Reserve Board waited too long and that a more gradual advance of rates would have been effective without being excessively severe and costly but it is also apparent that the Board can only bring the weight of its knowledge of the world situation to bear upon the policies of the unit banks by action which is drastic and more or less spectacular and sensational. In the words of one close student of the Federal Reserve system, the Federal Reserve Board "has to get on the top of the hill and yell like h----". Such action

may cause a panic in the very attempt to avert panic. On the other hand, the Canadian banking system, comprising 18 banks with a total of 4,875 branches in Canada negotiated the difficulties incidental to the turn in prices without the slightest suggestion of panic or embarrassment. A policy of caution and preparedness against contingencies was adopted in ample time and was made effective through the control by the Head Officers of the operations of their branches. As a result, Canadian industry (including agriculture and commerce) have been assisted through a much more gradual and less costly readjustment than that which has taken place in the United States and elsewhere. Over-extension of credit such as occurred in the United States was never permitted to take place in Canada in anything like the same measure. Undoubtedly there has been inflation here but it occurred rather as a result of the Government's financial needs and probably unavoidable increases in the circulation of Dominion notes than of inflation by the banks. Moreover, the branch banking system by reason of its organization was able to foresee and to prepare for the inevitable economic adjustments and price declines, and, by reason of such preparation, to extend more liberal and when and was needed most urgently.

BANKS AND POLITICS

In contrasting the banking facilities of North Dakota with those of the Provinces of Western Canada, it should be pointed out that North Dakota, with a population as at January 1, 1920 of 645,680 had approximately 173 National Banks and 706 State Banks, a total of 879, or one bank for every 736 persons. At the same time Manitoba has only one bank to 1,842 persons Saskatchewan had one to every 1,263 persons and Alberta one to every 1,373 persons. Yet in reason of the superior efficiency and economy of the branch banking system the relatively smaller number of institutions in Canada is able to afford a better service at less cost to the borrowers. Interest rates on loans all through the United States have been higher than have been interest rates in Canada under conditions of money stringency. Indeed interest rates on bank loans and discounts are more uniform and stable in Canada than almost anywhere else in the world. Even under recent conditions when money was scarce regular Canadian borrowers offering the best commercial paper could get accommodation from their banks at 6 per cent, although the prevailing rate in New York ranged from 7 to 8½ per cent and the Federal Reserve Banks were charging 7 per cent on rediscounts. Apart from the consideration that the average resources of the unit banks are small, the larger relative number of banking institutions in North Dakota as compared with Western Canada, appears to be due in some measure to the extent to which the small unit banks in the United States operate on political lines. In many small towns there will be found two banks—one Democratic and the other Republican. Every small banker in the United States and many of those who administer the larger banking institutions are "in politics." The practice of bankers in the United States actively participating in politics is defended as an obligation of good citizenship, but unquestionably there are strong objections and it can hardly be claimed that the practice tends towards improvement of banking service. Certainly such participation in partisan controversies in Canada would be resented. The Canadian banks occupy an impressively different

positions in the communities which they serve. Canadian bankers as a rule have steadfastly avoided participation in controversial political issues. The function of the banks in this country is recognized as national service rather than the attainment of sectional advantage. Because they are not in politics, Canadian bankers can view great national problems impartially and their opinions have real influence and weight with public men and with the voters at large. Even although he may be entirely sincere, the American banker too often is regarded as playing politics, and consequently has advice discounted; the Canadian banker on the other hand is able to give true leadership in economic matters to an extent which is impossible in the United States.

INTEREST ON SAVINGS DEPOSITS

The Canadian banks are often criticized for maintaining a fixed interest rate of 3 per cent on savings deposits. Such policy may not be strictly sound but the argument is not altogether unrelated. Some years ago the rate of interest payable on deposits was determined by each bank independently and fluctuated in accordance with the demand and supply of money. In 1920 for example the interest rates paid on savings deposits in Ontario at one time were as high as 5 per cent but with a few months fell to 2 per cent. There was keen competition between the banks for savings deposits and a bank which was conservative in its administration of such trust funds was at a disadvantage as compared with the bank which was willing to take greater risk. In other words the lack of uniformity in interest rates was an encouragement to unsound and more or less speculative banking. Again, it ought to be recognized that uniformity stability and evenness in interest rates make it possible for the banks to maintain a much more even, uniform and stable interest rate on loans.¹ That the difference between the rate paid on deposits and that received on loans of equivalent period to the banks is a mistaken idea. Not only are there administrative expenses incurred but a considerable proportion of the money received on deposit must be kept idle as immediately available cash to ensure payment on demand. Then there is the second line of protection to depositors consisting of assets otherwise convertible into cash. By reason of the character of such assets the interest yield is comparatively low. In fact the Canadian chartered banks keep between 30 and 70 per cent of their assets in absolutely liquid form. In so doing they provide assurance to depositors that their money will be repayable at short notice without loss. The contrast but the banks' policy in this respect keeps them from investing in longer term higher interest securities the trust funds left to depositors and subject to withdrawal practically

¹The last annual report of the Comptroller of Currency of the United States dated December 31, 1920 contained a section under the heading "Money Rates in Canada and New York Before New Year's Day." The Comptroller pointed out that rates of interest in New York during 1920 have been higher than in any other year he had studied.

The Vice-President of The Bank of Montreal in his report at the annual general meeting of the shareholders of the Bank referring to rates of interest on savings bank accounts said: "The rate of interest on the open bank and漫游者 account at home is about the same as it was before the war." As comparisons are conveniently made between Canada and the United States owing to general similarity of conditions, the author wishes to point attention to the fact that bank rates of interest in our home country the last six years of money is markedly lower in the United States. The condition in face of world wide high interest rates has attracted much attention in other countries and is regarded as a tribute to Canada's good banking system."

on demand. The Manitoba Government is now paying 4 per cent interest on savings deposits, but has announced that it will not keep any large reserve and appears to be relying upon ability to raise money by sale of bonds, borrowing from the banks, or otherwise, to meet any demand for withdrawals for which cash is not immediately available.

The Canadian banks reserve the right to require notice of withdrawal of savings deposits. There appears to be no uniformity in respect of the period of such notice which varies from 7 to 15 days or longer but this is of only nominal interest, inasmuch as in actual practice savings deposits invariably are withdrawable on demand. But one bank might take advantage of the regulation unless all did so and a uniform policy were adopted, indeed discontinuance or even temporary suspension by the Canadian banks of the practice of permitting withdrawal of savings deposits upon demand by cheque or otherwise is one of the least likely occurrences that one could imagine. In respect of interest rates paid on savings deposits, liquid security maintained and the practice of repayment upon demand and acceptance of cheques drawn upon such deposits, the depositor is dealt with as generously and favorably in Canada as in any other part of the world. The Federal Reserve Board of the United States has issued the following definition of a Savings Account:

The term savings account shall be held to include those interest bearing accounts of the bank in respect to which (a) no printed regulations, accepted by the depositor at the time the account is opened, a. The pass book certificate, or other similar form of receipt must be presented to the bank whenever a deposit or withdrawal is made and b. The depositor may at any time be required by the bank to give notice of an intended withdrawal not less than 30 days before a withdrawal is made.

In this connection the Deputy Comptroller of the Currency Washington, writes: "It is understood that deposits in the savings departments of banks in the United States are generally subject to the conditions referred to therein."

PROFITS OF CANADIAN BANKS

Again, it is alleged that the Canadian banks make excessive profits. A leading agricultural paper recently complained that our banking institutions pay all the way from 10 per cent to 16 per cent and are piling up large reserves. But it must be remembered that Canadian bank stocks invariably are sold at a substantial premium and that the premium goes to the banks' Rest, or Reserve Fund. The stock of the new Great West Bank of Canada is being sold at 125 and the stock of other Canadian banks has been sold at even a greater premium. Then, too, for years the banks paid only small dividends or no dividends, earnings being carried to the Rest. This policy amounted to addional cash investment, and today the investment by the shareholders of the Canadian banks, by capital subscriptions and reinvestment of past earnings, aggregates nearly \$264,000,000, while dividends are paid on the par value of only \$128,460,163 of paid up capital stock. Dividends of even 10 per cent on the capital stock would represent a return of less than 8 per cent on the total investment in the banks.

One of the most frequent forms of attack on the Canadian banking system is based on the assumption that in some manner which is not explained the banks in the Dominion have a monopoly of money. Such criticism is neither true nor just. In so far as the banks are today the principal depositories for savings, such position has been won by sheer

efficiency, by recognition that such moneys are trust funds, and by sound administration which has won the confidence of the Canadian people. There is no limitation on the number of banks which may be organized in Canada so long as the provisions of the Bank Act are met. Such requirements are necessary to protect the Canadian people against small weak banks organized by people of little responsibility. There is nothing to prevent the agriculturist or any other class or group in Canada organizing and operating a bank if they are willing to provide a guarantee in subscribing to at least \$100,000 capital stock, of which not less than \$25,000 must be paid up and otherwise complying with the Bank Act. A bank is simply a group of trustees who themselves provide large capital and assume a liability to limit the amount of their capita as a guarantee to depositors and other creditors. There are now 47.6% shareholders in the Canadian banks and after ample allowance for possible duplication the statement may safely be made that there are approximately 43,300 separate individuals who own stock in the Canadian banks. These stockholders have made an investment of more than \$201,000,000 in capital and have as a guarantee and have assumed an additional liability of almost \$129,000,000. The irresponsible charge that a few men at the top control all the money of the country is disproved by these figures. Depositors in the Canadian banks control their own money but have loaned it to certain trustees (the banks), under definite conditions as to interest repayment etc., and the trustees (the banks) have given heavy guarantees to protect such depositors. Having provided the guarantee in the form of capital and double liability required by the Act, a bank is chartered to accept deposits which represent claims to actual goods and services not immediately required by depositors and to lend as large a proportion of such deposits as experience may show or as the officers believe to be safe and expedient.

One of the most unfair charges made against the Canadian banks is that they are responsible in some way for the exchange discount on Canadian money in relation to United States funds and that they manipulate exchange to their own profit. The allegation is utterly devoid of truth. On the contrary, the banks act as the great exchange agents of the country and they perform an exceedingly valuable service on a margin of profit which is almost incredible. It would be out of place here to attempt any analysis of the factors responsible for the exchange situation. Exchange is regulated by laws which the banks are quite incapable of controlling. Exchange rates are determined by the demand for and supply of bills of exchange. The banks simply transfer the market premium on high exchange currencies from the buyer to the seller and their service is of importance in saving to both buyers and sellers large brokerage expenses. For example the holder of a cheque payable in United States money can obtain from the Canadian banks the benefit of exchange within an exceedingly narrow margin. In most transactions of this kind the charge made by the banks is not over one eighth of one per cent and the net profit to them is surprisingly small. In many cases the gross charge is less than one cent per war exchange. Similarly the purchaser of foreign exchange can obtain drafts at a cost which is very close to market quotations. Such service is made possible under the branch banking system, by reason of the large amount of business of this character which is done by the banks and the fact that such business is collected and handled

through the head offices and is largely cleared among the banks themselves. As a result the seller of foreign exchange has a ready market which enables him the full value of what he has to sell whereas the buyer of foreign exchange can not have such without excessive charges. It can hardly be questioned that if Canada had to depend upon the independent unit bank system the charges made by the banks as middlemen in the handling of exchange would be very much higher.

There remains to be considered the charge that the banks do not supply adequately the legitimate needs of the farmers.¹ In part at least this criticism arises from an understanding of the functions, powers and limitations of a bank. A bank does not itself credit its depositors and cannot safely increase its loans without limit. The maximum loan is in lawing it recognises that under sound financial practice lending and borrowing should not exceed in excess of the total of their capital reserve deposits and any money which may be raised by such institutions by the sale of bonds or debentures. If such banks however are to be available the agricultural credit and priorities should compete with other competing factors. The only competitive means of eliminating that part of the demand which is essentially a short term depositary. What is prohibited to compete with money is the practical test as to whether an applicant is entitled to a loan and such ability as demonstrated in practice to compete under the rules of the various lending organizations. The supply of money in the world today is a little too loose in proportion to the demand for loans actually is much smaller than has been the case for many years and the deterioration of credit for any class of investment must be considered in the relation to the existing world situation. For that reason loans are not obtainable on as favorable terms as when the supply of money was more free and the demand much less keen.

There has been much criticism of banking institutions especially in the United States for failure to increase loans to farmers by short term accommodation in order that they might hold their produce at higher prices. But it must be remembered that commercial banking is largely a financial organization and must attempt to be such. Sound business principles are to be followed. Loans to farmers all but his short term crops to be regarded as loans to assist in the production and marketing of grain and not to aid the producer to speculate with such cereals after they are produced or the dealer to speculate with them after they have come into his possession. After a harvest a farmer may need a bank who has sound loans for the purchase of machinery and perhaps for seed and other equipment and it may be his earnest the bank will over one or more good crop seasons may properly call for sufficient liquidation to pay off a substantial part of such loan. This policy is applied to all other borrowers and it is difficult to see why the farmer alone should be exempt. An officer of one of the leading banks in Minneapolis told the writer that his bank made it a rule to require every grain account to be absolutely paid up in May June July or not later than the first of August in each year so that funds would be available for assistance in connection with the sowing of the new grain crop. Between the crop to be produced money is needed to finance it through various stages of

¹ We are not the charge and strong from the same general cause namely the insufficiency of available funds in the world to meet all demands was the cause of the business collapse of London, England, in November that there was a shortage of bank loans.

transporting, manufacturing and marketing and the latter may reasonably be called upon to meet his obligations in part at least. Certainly the farmer who already is heavily obligated to his bank has no just claim to further credit in order to enable him to delay the orderly marketing of his products. As crops are seasonal to a measure of seasonal settlement of obligations may properly be required.

WAITING FOR ADVANCES

And even if the banks had ample funds available for additional loans to the agriculturists to realize them in full their perhaps on the hope of higher prices and the later payment of these obligations what would induce them that prices will advance? When wheat was selling at \$2.80 per bushel North Dakota farmers were advised to hold their grain for \$3.00 per bushel. Many of the local banks with little knowledge of the world outside concentrated their collections on farmers' obligations and in many cases made additional loans to finance the purchases in these waiting periods.² But the price of wheat did not advance to \$3.00 instead it has declined by approximately one-third. The farmers have lost heavily and the banks too have suffered severely. Such has been the result of most attempts to defer marketing and a most salient item is between and banks which have made loans to such persons frequently have suffered a regretful change. The theory is that the holding of grain in the market immediately after threshing gives a man practice in an opportunity which is degrees the price and that the agriculturists would benefit by a more even distribution of sales over the crop year but such theory is not supported by the facts. Experience has shown and can readily prove that in the average of several years a producer renders practically as much by selling an acre as a crop is ready for market as by waiting until later in the season. Careful examination of the records of the Department of Agriculture at Washington and the annual reports of the Chicago Board of Trade may make recently by Mr. George H. Johnson, Captain of the Citizens State Bank of Wyo, North Dakota. Mr. Johnson's findings were as follows in part:

For the year 1911-12 the farmer who held his wheat until the six months period ended June received only one and one tenth cent more per bushel than the one who sold it after harvest. This one and one tenth cent would not even cover the cost of storing his wheat on money, shrinkage of grain, storage and insurance.

For the year 1916-17 the farmer who held his wheat until the six months period ended June received not one cent more per bushel than the farmer who sold it after harvest.

In the past winter years the North Dakota farmer who marketed his wheat in November and December made more money than the one who held his wheat until spring.

The marketing of the wheat or other such grain in the spring than at the Fall is a fallacy.

No farmer can sift through these tables and then claim that the Minneapolis Board of Commerce and the Chicago and Detroit Boards of Trade fix the price of wheat so as to force the farmer to accept a low price when he markets his grain and then have the poor help the poor of all the countries.

² Referring to the standard statement Mr. A. H. Dugay in addressing the shareholders at the Annual Meeting of the Farmers' Bank on January 26th, 1921 said:

Had I not been for the advantage a great number of our producers who failed to take advantage of the excellent prices which prevailed in the autumn of 1920, the greater portion of Canada's products would now have been purchased with a further greatly diminished date and a strengthening of the country's financial position.

Although conservative policies are essential to success in banking there can be little doubt that in the United States the banks are more familiar with agricultural business than with any other class to which loans are made. In Canada the banks are able to be more conservative and in practice are much more conservative of the interests of the farmers than are even the banking institutions in the United States. Mr. J. A. Rogers, General Manager of The Banff Bank speaking at the annual meeting of the Bank in January 2, 1921 said:

The Federal Reserve Board has issued a circular which applies to banks throughout all the states and territories during the past year and the experience resulting I should say the Banff Bank in this field had learned a great deal of experience and we think you will find the best advice given there is to do the same thing that we have done. This was to increase our loan limit on a high grade farm to from \$1,000 up to \$2,000 or \$3,000 and to give the farmer a limit of the same amount. All experience will tell you that a limit of \$2,000 or \$3,000 goes a long way. This experience has been gained by careful study of the conditions of agriculture and by making mistakes in the one state and learning in the other. The Banff Bank feels it is important to make the loan limit as large as possible and yet provide the same and more general loan. There is a small bank here that is succeeded by the number of smaller institutions in the United States. It is known as the First National Bank of North Dakota. It makes loans of from \$100 to \$200,000 and it is a very good bank. There is a growing desire on the part of the smaller and younger and the older and established banks which the banks are making loans with a term which could not possibly have been limited to a small term holding or payment.

PUBLIC GUARANTY FOR LOANS

The difficulties of small banks in the United States during recent months and the remarkable rapid, strong and steady condition of the Canadian banks despite no such legal or governmental aid to them which resulted in a major financial crisis south of the international boundary have been an inspiring lesson. Indeed there has been widespread acknowledgement from the Western Press regard the advantages of the Canadian branch banking system over a system of small independent unit banks in the United States. As Mr. Rogers, President of The Canadian Bankers Association and General Manager of The Banff Bank recently stated: "I believe in the small cities and operating a proposed unit system successfully, especially during times of stress when the regional financial institutions then are forced to employ their earning power in the same ratios in which they are divided. The Canadian system is much stronger in that the agricultural lendable funds are more widely distributed while loans are almost concentrated over a wide range and many areas of the country. But there remains the danger of spread in the agricultural deposits on account of general requirements of agriculture. This has occurred while the risk of collapse on account of losses on debts on sales from oil fields has increased. The Canadian banking system may have more losses. Perhaps there is a tendency to be conservative in lending since every bank manager is liable with his own bank in case of failure to get repayment of loans such responsibility as it is impossible to place upon any government officer. But between the system of small unit banks as found in North Dakota and elsewhere in the United States and the Canadian branch banking system there cannot be any question as to where the balance of advantage lies. No phase of the recent disasters in North Dakota has been more startling than the revelation of elements of

weakness, mismanagement, and unsound and even dishonest practices in the independent unit banking system.

It is probable that in any period of money stringency there will be much uninformed criticism of financial institutions. The restrictions which have been placed on the lending powers of the branch banks have been misinterpreted. Branch managers are allowed to make loans within certain limits without first obtaining permission from the Head Office and the requirement that Head Office approval be secured before either the total loan allowance for the branch or the limit to any individual borrower be exceeded is a conservative measure in the interests of the entire country. To allow every branch manager to make loans without restriction except that imposed by his own judgment would quickly produce a chaotic situation and make impossible the continued successful operation of the branch banking system. The Canadian banks already provide short term rural credits and have always shown an appreciation of the needs of agriculture and a willingness to co-operate as far as they could do so legally and without violating what they believe to be sound banking principles. There is much ignorance in the fact that in the rural districts of Ontario and Quebec there is comparatively little fault finding with the Canadian banking system and that the principal criticisms emanate from the Western Provinces where poorer conditions still obtain to a very large extent. Agricultural communities, liable to the risks which are inevitable when dependence is placed principally upon a single crop, cannot expect to borrow as cheaply or to borrow as much as can communities where diversified agriculture has been developed to a much greater extent. The Province of Saskatchewan has recognized the risks incidental to grain farming and a advertising Saskatchewan farm loan仲介者 has said that millions of dollars are needed to enable the farmers of Saskatchewan to minimize their annual wheat gamble by means of diversified agriculture. As mixed farming is adopted to a steadily increasing extent in Western Canada, one may expect that the present supposed grievances on account of high interest rates will be overcome in large measure.

NATIONALIZATION PROPOSALS

There remain to be considered various proposals looking to nationalization of the Canadian banking service. Hon John Hart, Minister of Finance in the Provincial Government of British Columbia, was quoted recently as favoring

The establishment of a Provincial Bank so that the Provincial Government can accept deposits and keep the money of the people of the Province here for the development of this Province instead of having it sent East by the big banks through their branch system and loaned out at high rates in Toronto, Montreal and New York while business men here cannot get credit.

At the recent convention of the United Farmers of Manitoba the following resolution¹ was adopted:

Whereas in our opinion the Canadian banking system is far from meeting adequately the needs of the people of the country;

Therefore we urge the Canadian Council of Agriculture to prosecute definite and immediate investigation with a view to offering to the people a progressive banking policy which shall be more fully in accord with our general principles than that which now obtains.

¹The United Farmers' Guide issue of January 26, 1923, p. 17.

The United Farmers of Alberta have declared themselves in favor of the nationalization of our banking and credit systems by the following resolution^a which was passed at the convention in Edmonton in January of this year:

Whereas the banking system is a monopoly in most of the cash and the of the people and whereas there exists a grave suspicion that the financial institutions are taking a very heavy toll of real values from the people who produce real wealth or extract the means to use and service; and whereas it is our duty to prevent exploitation and spread education on these matters therefore be it resolved that this convention go on record in favor of the nationalization of our banking and credit systems.

Even the Green Cross Councill has withheld approval of this programme and has advised that attention be paid to the immediately practical. The resolution is indeed unusual in that it first admits lack of understanding of the problem and then envisions a definite substitute as a substitute for the present banking system - a case of pre-emption before diagnosis. But the fact remains that in three of the Western Provinces there are private banks which possess Provincial or Federal Government banks. In effect these banks declare for replacement by a Government banking organization of the present efficient service of the Canadian chartered banks and their branches. The States of Vermont Kentucky Tennessee North Carolina South Carolina Indiana Mississippi Illinois Tennessee Alabama Louisiana Georgia Florida Arkansas Missouri and North Dakota all wanted and obtained State banks but the experience has been unhappy and in some cases disastrous that many of them now provide constitutional protection against further government experiments in the banking field. North Dakota still has its State Bank but that institution after a brief but eventful history from July 26, 1919 to date has lost the confidence of the public as is shown by the passage of the initiated measures referred to in the preceding pages has brought no advantage but much actual harm to the State and today is in a really crippled condition quite incapable of providing any effective relief for the deplorable banking situation in the State and indeed unable to honor its own demand obligations. And Canada would have no more right than had North Dakota to expect to escape difficulties with State banking.

In the preceding pages an effort has been made to analyze discussion which has taken place in Canada within recent months relative to banking and to bring to bear upon the various proposals which have been made some of the present experience of North Dakota. The Canadian Bank Act is due for decimal revision in 1923 and proposals for changes should be thoroughly analyzed. Whatever revision is made it may ought not to be in response to the demands of any class or section but in the interests of the Canadian people as a whole with due regard to the best practice elsewhere and the experience of other countries and in observance of well proved principles of sound finance.

^aThe Green Cross Crossings of January 26, 1921 p. 34.

^bThe Green Cross Crossings of February 3, 1921 p. 6-144.

Appendix

FARMERS AND THE GRAIN EXCHANGE: AN ANALYSIS OF THE ALLEGEDLY UNFAIR INVESTMENT OF PRIVATE ENTERPRISE IN CONNECTIVITY WITH THE PROVISION OF FACILITIES FOR THE MARKETING OF FARM PRODUCTS.

In view of the fact that the complaints of the farmers in North Dakota were somewhat similar to those of the agriculturists in Western Canada, this paper has a separate section for that state. Reference has been made on the preceding pages to the situation which exists in the United States. The purpose of this section is to give a general indication of how it is investigated and discussed in that country and of the arguments used by the agricultural leaders of that country. This investigation has adopted as the organization of the farmers' leaders a committee known as the "Farmers' Board." This committee, in their contention, has shown that the investment which has been necessary will prove to have had a normal and efficient result if it is engaged in the grain trade, including the storage business. The argument of the committee is that the cost of grain storage and the handling of grain is such that the producers often find it cheaper to store small and thus pay less storage charges than to marketing and holding on the part as well as the shipping of their produce in grain bins or bins having no heating or cooling equipment. It is also to be noted that there are economies in the storage of the surplus grain. The purpose of grain storage is to hold over surplus for market purposes. The investment which is effected by the grain and storage companies in the storage of grain will be more economical during marketing time for the same purpose, i.e., to perform a useful function.

Producers' leaders found that in the case of grain, Minnesota Farmers' Union represented 90 per cent of the grain handled prior to other persons. The next

10 per cent was composed of 10 per cent of the grain handled by the regular oil refiners in the Midwest grain mills. In the case of grain handling 10 per cent of the grain sold by the Farmers' Board, the flour millers and the together of about 1000 grain elevators in the state could be said to be the main source of the grain and the 10 per cent of the grain handled by the flour and grain elevators could be said to be the number of elevators in the state. In this case the flour has gone through a number elevators have transported from 1000 to 2000 miles and by a minimum there probably cost by a minimum charge, multiplied upon each of the flour mill and a whole sale grain and then to a retail dealer and yet the producer receives 10 per cent of the final price."

Further:

Analyses have also been made of the costs of marketing various commodities and from these figures certain important conclusions may be drawn as follows:

1. The most important, the cost of railroad transportation plays a relatively important part. It has been estimated by representatives of the United States Department of Agriculture that freight rates constitute about 7 per cent of the retail price.

2. The wholesalers in the large cities are responsible for a smaller percentage of the spread than is commonly believed. The high degree of efficiency attained by the wholesale trade in the large cities under adverse conditions deserves high praise.

3. By far the most expensive step in the marketing process is the retail store. From experience obtained of many of marketing different commodities, it has been roughly computed that on the average the retailer takes about 30 per cent of the spread between farmer and consumer. In other words, the retail store takes a sizeable percentage of the gross value by reason of poor management, complete lack of knowledge and other causes. The marketing problem is largely a problem of retail management. And yet the wide margin taken by the retailer is not due to any greater profit in that class of businesses either as it is to the high expenses of advertising.

Professor Ward pointed out that frequent fluctuations of price in all industries of a high degree of competition rather than of a lack of competition. In other words the price of wheat at Liverpool was approximately the average price less the cost of transportation and handling. Hence the Merged price was also based on the Liverpool price and the price at each of hundreds of miles apart likewise would be based on the Merged price minus freight to Merged point and incidental expenses of handling. In fact in 1919 the difference from Liverpool to each miller was such as to absorb the available supply and the demand raised the price to such an extent that it was much higher than the Liverpool price minus the cost of transportation to that point.

Investigations of the operations of the Minneapolis Chamber of Commerce led Professor Ward to the following conclusions:

As a general rule the more highly organized a trade the higher the price of commercial morality can be. Beginning with the wheat there the price exchanges represent the highest level of organization and the highest development of efficiency in marketing which can be found. The leading trading firms provide the most organized system of marketing prices obtained on the assumption of the firmness of institutions of distribution. On the whole the concentration of trading in one organized market place results in greater uniformity of organization, a more efficient marketing of export shipments, and consequently a market price that more accurately reflects the actual conditions of demand and supply.

He again concluded that

The performance of agricultural products are contingent upon the size of the home market of the product to be marketed. The small market less trading opportunities, a large the high, the intermediate market, less trading opportunities and smaller the large. The greater the group, the greater the market, and the greater the opportunities and competition for the market. These effects are not from greater risks on the part of the small farmer, and often there is taken on larger margins to cover these risks, it is also popular, but there would be a greater amount of speculation on the assumption that there will be a greater chance of manipulation on the part of the greater trading groups.

CO-OPERATIVE MARKETING

Professor Ward quoted figures to show that the former year an and year and distance as much and more far the wheat he marketing in the fall or the holding over the following Spring. In making the change that the Federal government dealt with him in that the cost of storage of the product out of State, storage of grain was reduced by 50% in 1918, and that the new Department was under the Department of Agriculture, and the result the Redwood and Mendocino County in California had 100 bushels there were 100 bushels of Apples sent to Minneapolis and sent to Boston, and with these numbers of apples used by the State. The idea of these fruits was to gather the 100 bushels produced each year which the new suggestion they are to make greater by grafting and by selected grafting to make them more resistant to the State, Bureau and Department. However, the grafting of the State, Bureau and the Bureau have done most the damage to the plants of fruit and had been done so it has not been done type and then. This is done in grafting out the bad and grafting in and the damage was expected as a result a number of varieties could be grafted in other parts of the country of the North, where a process of grafting on the top of a very large tree in the case of the new Department Department of the State of Minnesota and the consumer is given more or less more experience his. The result of no experience Professor Ward brought up against the case of the Farmers and cannot appear that State agriculture could have given the best. He continued and however that there was some dissatisfaction among the those makers and other buyers on the they were anxious to know that the grafting was not done.

In reference to the problem of organized co-marketing Professor Ward said:

Most farmers marketing organizations undertake the marketing of their products only at present points and a fact that is the field in which they can perform the most useful service. The wholesale trade is the great staple commodity and is well organized and performs their functions on such small margins that it is questionable whether farmers can effect any appreciable saving by undertaking the function through their own organizations. In the

I should like to have been but for a trifling accident, and some of
these have been published. One of the most positive factors in the development
of our writing abilities has been the education and of a business reader
during his school years, and personal contact with parents. The one reads
the other writes, and through these two means, a writing spirit grows up.
It will grow and spread, and the more it does, the more it grows, and the
more writing there will be. This is the true way to success, and a good positive
factor in the education of young people is the encouragement of their
writing. There is no greater pleasure than writing, and there is no better
way of getting all the good out of life than by writing. It is a great
commercial commodity.

It is important to note that the main difference between the two groups regarding the age at which they first began to drink beer was that the beer-drinking group began to drink beer at a significantly younger age than the non-beer-drinking group. The mean age at which the beer-drinking group began to drink beer was 14.5 years compared to 17.5 years for the non-beer-drinking group. This difference was statistically significant ($F(1, 100) = 10.2, p < 0.001$). The mean age at which the beer-drinking group began to drink beer was 14.5 years compared to 17.5 years for the non-beer-drinking group. This difference was statistically significant ($F(1, 100) = 10.2, p < 0.001$).

BUDGETING

Mr. B. B. Bishop, Director of the Bureau of Fisheries, has appointed Mr. W. H. Johnson, formerly of the Bureau of Fisheries, to the position of Commissioner of Fisheries. Mr. Johnson will succeed Mr. C. E. Hart, who has been appointed Commissioner of Fisheries for the State of California.

the same time, the number of people who have been infected with the virus has increased significantly. This has led to a greater demand for medical resources, such as hospital beds and ventilators, which can put a strain on healthcare systems. Additionally, the spread of the virus has led to economic challenges, such as job losses and reduced economic activity, which can further exacerbate the situation.

I quite agree with you that the criticism of the present procedure rests on a misconception of modern medicine and medical treatments. This, I believe,

Now there comes up the question as to the nature of the changes which would be expected in the properties of the materials under pressure. In the case of the diamond it is known that the pressure has to be increased to about 100 kilobars before the diamond will change its structure. This pressure is equivalent to the pressure at the center of the earth. At such pressures the diamond becomes a metal. It is also known that the diamond can be converted into graphite by heating it to a temperature of about 1000 degrees Celsius. The pressure required to convert diamond into graphite is not known, but it is believed that it is much less than the pressure required to convert diamond into a metal.

With respect to the first question, it is evident that the author of the original paper did not consider the effect of the presence of the H_2O molecule on the properties of the polymer. The second question is also very interesting, because it is well known that the presence of water in the polymer may cause a considerable change in its properties. The third question is also very interesting, because it is well known that the presence of water in the polymer may cause a considerable change in its properties.

The general trend suggests that the older and more advanced stages of mining in the older gold fields were associated with greater degrees of gold recovery than those in the newer deposits. The older gold fields were also associated with higher degrees of gold recovery than the newer ones where the proportion of gold lost in the process of mining was greater. This pattern of gold recovery was maintained throughout the period of mining by the more advanced mining techniques used in the older gold fields. The degree of gold recovery was also found to be higher in the older gold fields than in the newer ones. The degree of gold recovery was also found to be higher in the older gold fields than in the newer ones. The degree of gold recovery was also found to be higher in the older gold fields than in the newer ones.

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Return.*



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